



BUFFALO CITY METROPOLITAN MUNICIPALITY
Unaudited Consolidated Annual Financial Statements
for the year ended 30 June 2020

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

General Information

Legal form of Entity	Municipality
Nature of business and principal activities	Local Government
Jurisdiction	The demarcation board has determined that Buffalo City Metropolitan Municipality (BUF) includes the towns of East London, Bisho, King William's Town, Berlin as well as the townships of Mdantsane, Gomo, Zwelitsha, Dimbaza, Phakamisa, Ndevana, Ilitha, Ginsberg and the surrounding rural areas.
Mayoral committee	
Executive Mayor	Councillor X.A. Pakati
Deputy Mayor	Councillor Z.P. Matana - IDP Organisational Performance Management
Councillors	Councillor N.M. Mhlola - Human Settlements Councillor P. Nazo-Makatala - Spatial Planning & Development Councillor H.E. Neale-May - Finance Councillor N.P. Peter - Municipal Services Councillor M. Vaaiboom - Economic Development & Agencies Councillor X. Witbooi - Institutional Operations and Civic Relations Councillor A.O. Mnyute - Health, Public Safety and Emergency Services Councillor B. Sauli - Corporate Services Councillor S.N. Toni - Infrastructure Services
Grading of local authority	Grade 6 Municipality
City Manager / Accounting Officer	Mr. A. Sihlahla
Chief Financial Officer (CFO)	Mr. N. Sigcau
Business address	Trust Centre Oxford Street East London 5201
Postal address	PO Box 134 East London 5200
Bankers	Standard Bank
Auditors	Auditor General of South Africa
Members of Audit Committee	Ms. R. Shaw (Chairperson) - appointment 03 July 2017 Ms. Y. Roboji (Member) - appointment 03 July 2017 Mr. P. Ntuli (Member) - appointment 03 July 2017 Mr. S. Sokutu (Member) - appointment 03 July 2017 Ms. P. Mzizi (Member) - appointment 03 July 2017 Mr. T. Zororo (Member) - appointment 03 July 2017

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

General Information

Legislation Governing the Municipality

The Constitution of the Republic of South Africa, 1996
The Local Government: Municipal Structures Act, 1998 (Act 117 of 1998)
The Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)
The Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003)
Local Government: Municipal Property Rates Act, 2004 (Act 6 of 2004)
Municipal Fiscal Powers and Functions Act, 2007 (Act 12 of 2007)
Local Government: Municipal Demarcation Act, 1998 (Act 27 of 1998)
Intergovernmental Relations Framework Act, 2005 (Act 13 of 2005)
Division of Revenue Act (Act 1 of 2007)

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Index

The reports and statements set out below comprise the unaudited consolidated annual financial statements presented to the provincial legislature:

	Page
Accounting Officer's Responsibilities and Approval	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets	7
Cash Flow Statement	8
Statement of Comparison of Budget and Actual Amounts	9 - 17
Accounting Policies	18 - 49
Notes to the Unaudited Consolidated Annual Financial Statements	50 - 134

BCMDA	Buffalo City Metropolitan Development Agency
DBSA	Development Bank of South Africa
GRAP	Generally Recognised Accounting Practice
FMG	Finance Management Grant
IAS	International Accounting Standards
IPSAS	International Public Sector Accounting Standards
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Officer's Responsibilities and Approval

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the unaudited consolidated annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the unaudited consolidated annual financial statements fairly present the state of affairs of the entity as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the unaudited consolidated annual financial statements and was given unrestricted access to all financial records and related data.

The unaudited consolidated annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The unaudited consolidated annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the economic entity and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the economic entity and all employees are required to maintain the highest ethical standards in ensuring the economic entity's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the economic entity is on identifying, assessing, managing and monitoring all known forms of risk across the economic entity. While operating risk cannot be fully eliminated, the economic entity endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the unaudited consolidated annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The accounting officer has reviewed the economic entity's cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, he is satisfied that the economic entity has or has access to adequate resources to continue in operational existence for the foreseeable future.

Although the accounting officer are primarily responsible for the financial affairs of the entity, they are supported by the economic entity's internal auditors.

The unaudited consolidated annual financial statements set out on page 5, which have been prepared on the going concern basis, were approved by the accounting officer on 30 November 2020.

Mr. A. Sihlahla
City Manager

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2020	2019 Restated*	2020	2019 Restated*
Assets					
Current Assets					
Inventories	10	32 832 319	34 438 728	32 771 613	34 403 310
Receivables from exchange transactions - BCMDA	11	60 710	347 035	-	-
Receivables from non-exchange transactions	12	523 673 392	420 561 555	523 673 392	420 561 555
VAT receivable	13	103 030 375	171 832 937	102 532 309	171 526 611
Receivables from exchange transactions	14	1 265 656 197	1 098 511 668	1 265 656 197	1 098 511 668
Cash and cash equivalents	15	1 373 710 707	1 171 632 915	1 357 577 980	1 167 645 512
		3 298 963 700	2 897 324 838	3 282 211 491	2 892 648 656
Non-Current Assets					
Investment property	3	406 525 752	402 532 000	406 525 752	402 532 000
Property, plant and equipment	4	19 251 388 772	19 720 315 025	19 250 004 650	19 720 007 389
Intangible assets	5	14 974 783	19 903 241	13 563 427	18 103 059
Heritage assets	6	50 513 440	50 513 440	50 513 440	50 513 440
Investments in associates	7	702 798 644	597 392 286	702 798 644	597 392 286
		20 426 201 391	20 790 655 992	20 423 405 913	20 788 548 174
Total Assets		23 725 165 091	23 687 980 830	23 705 617 404	23 681 196 830
Liabilities					
Current Liabilities					
Borrowings	18	54 395 605	57 973 556	54 395 605	57 973 556
Operating lease liability	8	51 545	-	-	-
Trade payables from exchange transactions	22	1 212 933 097	1 118 287 602	1 211 088 684	1 117 554 267
Consumer deposits	23	70 143 449	64 109 019	70 143 449	64 109 019
Employee benefit obligation	9	50 982 000	49 252 390	50 982 000	49 252 390
Unspent conditional grants and receipts	17	531 506 569	210 610 282	527 613 203	207 656 749
Provisions	19	258 291 417	246 000 151	256 853 725	244 971 179
		2 178 303 682	1 746 233 000	2 171 076 666	1 741 517 160
Non-Current Liabilities					
Borrowings	18	233 184 927	287 580 532	233 184 927	287 580 532
Employee benefit obligation	9	633 835 000	679 562 697	633 835 000	679 562 697
Provisions	19	130 957 015	11 158 873	130 124 282	11 158 873
		997 976 942	978 302 102	997 144 209	978 302 102
Total Liabilities		3 176 280 624	2 724 535 102	3 168 220 875	2 719 819 262
Net Assets		20 548 884 467	20 963 445 728	20 537 396 529	20 961 377 568
Reserves					
Revaluation reserve	16	9 455 798 515	9 877 411 663	9 455 798 515	9 877 411 663
Accumulated surplus		11 093 085 952	11 086 034 065	11 081 597 994	11 083 965 905
Total Net Assets		20 548 884 467	20 963 445 728	20 537 396 529	20 961 377 568

* See Note 53

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Performance

		Economic entity		Controlling entity	
Figures in Rand	Note(s)	2020	2019 Restated*	2020	2019 Restated*
Revenue					
Revenue from exchange transactions					
Service charges	25	3 260 941 348	3 000 623 389	3 260 941 348	3 000 623 389
Rental of facilities and equipment	26	22 652 060	20 439 799	22 652 060	20 439 799
Fees earned		1 751 975	619 583	-	-
Other revenue - (exchange)	29	91 567 237	110 707 059	91 477 471	110 685 544
Interest received	30	153 537 591	162 800 445	153 017 971	162 361 281
Total revenue from exchange transactions		3 530 450 211	3 295 190 275	3 528 088 850	3 294 110 013
Revenue from non-exchange transactions					
Property rates	31	1 467 399 835	1 299 753 433	1 467 399 835	1 299 753 433
Licences and Permits (non-exchange)	27	12 587 412	15 156 416	12 587 412	15 156 416
Interest (non-exchange)	28	39 698 901	26 119 274	39 698 901	26 119 274
Government grants & subsidies	33	2 011 229 172	1 919 432 296	1 989 656 320	1 916 450 674
Other revenue - (non-exchange)	34	68 707 237	63 389 173	68 707 237	63 389 173
Public contributions and donations - PPE		-	279 066 643	-	279 066 643
Fines		10 863 546	24 938 282	10 863 546	24 938 282
Fuel levy		547 497 000	513 844 000	547 497 000	513 844 000
Total revenue from non-exchange transactions		4 157 983 103	4 141 699 517	4 136 410 251	4 138 717 895
Total revenue	24	7 688 433 314	7 436 889 792	7 664 499 101	7 432 827 908
Expenditure					
Employee related costs	35	(2 204 639 585)	(2 089 136 330)	(2 180 295 557)	(2 071 391 794)
Remuneration of councillors	36	(66 322 743)	(63 065 986)	(64 687 499)	(62 315 519)
Depreciation and amortisation	37	(1 709 671 614)	(1 316 048 225)	(1 708 735 735)	(1 314 861 224)
Finance costs	38	(32 563 877)	(38 467 001)	(32 563 877)	(38 466 994)
Debt Impairment	39	(601 841 517)	(406 978 233)	(601 841 517)	(406 978 233)
Repairs and maintenance	43	(382 547 674)	(387 412 826)	(382 244 612)	(386 834 940)
Bulk purchases	40	(1 772 339 139)	(1 628 956 804)	(1 772 339 139)	(1 628 956 804)
Contracted services	41	(300 555 998)	(289 638 270)	(281 186 029)	(282 857 262)
Grants and subsidies paid	32	(91 468 857)	(72 604 000)	(130 821 364)	(102 451 217)
General expenses	42	(615 066 200)	(594 541 913)	(607 790 067)	(590 240 359)
Total expenditure		(7 777 017 204)	(6 886 849 588)	(7 762 505 396)	(6 885 354 346)
Operating (deficit) surplus		(88 583 890)	550 040 204	(98 006 295)	547 473 562
Loss on disposal of assets	46	(6 906 562)	(39 357 059)	(6 955 468)	(39 359 422)
Fair value adjustments	44	(1 683 300)	7 543 274	(1 683 300)	7 543 274
(Impairment loss) Reversal of impairments		(51 531)	977 463	-	996 000
Share of surplus of associate accounted for under the equity method		105 406 358	29 467 290	105 406 358	29 467 290
Inventories losses/write-downs		(1 129 206)	(847 799)	(1 129 206)	(847 799)
		95 635 759	(2 216 831)	95 638 384	(2 200 657)
Surplus (deficit) before taxation		7 051 869	547 823 373	(2 367 911)	545 272 905
Taxation	47	-	602 051	-	-
Surplus (deficit) for the year		7 051 869	547 221 322	(2 367 911)	545 272 905

* See Note 53

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Statement of Changes in Net Assets

Figures in Rand	Revaluation reserve	Accumulated surplus	Total net assets
Economic entity			
Opening balance as previously reported	9 046 230 471	10 550 324 967	19 596 555 438
Adjustments			
Prior year adjustments (prior to 2018/19) Refer to note 53	2 869 816	(11 512 224)	(8 642 408)
Balance at 01 July 2018 as restated*	9 049 100 287	10 538 812 743	19 587 913 030
Changes in net assets			
Prior period error	7 542 446	-	7 542 446
Revaluation	820 768 930	-	820 768 930
Net income (losses) recognised directly in net assets	828 311 376	-	828 311 376
Surplus for the year	-	547 221 322	547 221 322
Total recognised income and expenses for the year	828 311 376	547 221 322	1 375 532 698
Total changes	828 311 376	547 221 322	1 375 532 698
Restated* Balance at 01 July 2019	9 877 411 663	11 086 034 083	20 963 445 746
Changes in net assets			
Surplus for the year	-	7 051 869	7 051 869
Revaluation	(421 613 148)	-	(421 613 148)
Total changes	(421 613 148)	7 051 869	(414 561 279)
Balance at 30 June 2020	9 455 798 515	11 093 085 952	20 548 884 467
Note(s)	16	53	
Controlling entity			
Opening balance as previously reported	9 046 230 471	10 550 907 460	19 597 137 931
Adjustments			
Prior year adjustments (prior to 2018/19) Refer to note 53	2 869 816	(12 214 460)	(9 344 644)
Balance at 01 July 2018 as restated*	9 049 100 287	10 538 693 000	19 587 793 287
Changes in net assets			
Prior period error	7 542 446	-	7 542 446
Revaluation	820 768 930	-	820 768 930
Net income (losses) recognised directly in net assets	828 311 376	-	828 311 376
Surplus for the year	-	545 272 905	545 272 905
Total recognised income and expenses for the year	828 311 376	545 272 905	1 373 584 281
Total changes	828 311 376	545 272 905	1 373 584 281
Restated* Balance at 01 July 2019	9 877 411 663	11 083 965 905	20 961 377 568
Changes in net assets			
Revaluation	(421 613 148)	-	(421 613 148)
Net income (losses) recognised directly in net assets	(421 613 148)	-	(421 613 148)
Surplus for the year	-	(2 367 911)	(2 367 911)
Total recognised income and expenses for the year	(421 613 148)	(2 367 911)	(423 981 059)
Total changes	(421 613 148)	(2 367 911)	(423 981 059)
Balance at 30 June 2020	9 455 798 515	11 081 597 994	20 537 396 509
Note(s)	16	53	

* See Note 53

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Cash Flow Statement

Figures in Rand	Note(s)	Economic entity		Controlling entity	
		2020	2019 Restated*	2020	2019 Restated*
Cash flows from operating activities					
Receipts					
Sale of goods and services	65	4 693 899 666	4 525 368 052	4 692 012 245	4 525 074 479
Government grants & subsidies	65	2 011 229 172	1 919 432 296	1 989 656 320	1 916 450 674
Interest income	30	193 236 492	188 919 719	192 716 872	188 480 555
		<u>6 898 365 330</u>	<u>6 633 720 067</u>	<u>6 874 385 437</u>	<u>6 630 005 708</u>
Payments					
Employee costs & Councillors remuneration	35&36	(2 270 962 328)	(2 152 202 316)	(2 244 983 056)	(2 133 707 313)
Suppliers	65	(2 664 722 580)	(3 298 006 394)	(2 680 493 449)	(3 318 146 640)
Finance costs	38	(32 563 877)	(38 467 001)	(32 563 877)	(38 466 994)
		<u>(4 968 248 785)</u>	<u>(5 488 675 711)</u>	<u>(4 958 040 382)</u>	<u>(5 490 320 947)</u>
Net cash flows used in operating activities	48	1 930 116 545	1 145 044 356	1 916 345 055	1 139 684 761
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(1 663 693 959)	(1 753 217 829)	(1 662 423 279)	(1 753 054 709)
Proceeds from sale of property, plant and equipment	4	49 255	9 193 811	-	9 191 448
Purchase of investment property	3	(6 015 752)	-	(6 015 752)	-
Purchase of intangible assets	5	(404 741)	(1 578 425)	-	-
Purchases of heritage assets	6	-	(733 565)	-	(733 565)
Net cash flows used in investing activities		(1 670 065 197)	(1 746 336 008)	(1 668 439 031)	(1 744 596 826)
Cash flows from financing activities					
Net movement on borrowings		(57 973 556)	(52 572 023)	(57 973 556)	(52 572 023)
Net cash flows used in financing activities		(57 973 556)	(52 572 023)	(57 973 556)	(52 572 023)
Net increase/(decrease) in cash and cash equivalents		202 077 792	(653 863 675)	189 932 468	(657 484 088)
Cash and cash equivalents at the beginning of the year		1 171 632 915	1 825 496 588	1 167 645 512	1 825 129 600
Cash and cash equivalents at the end of the year	15	1 373 710 707	1 171 632 913	1 357 577 980	1 167 645 512

* See Note 53

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Final budget council approved policy)	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Economic entity - 2020										
Financial Performance										
Property rates	1 552 050 927	-	1 552 050 927	-		1 552 050 927		(84 651 092)	95 %	95 %
Service charges	3 419 055 622	(51 213 142)	3 367 842 480	-		3 367 842 480		(106 901 132)	97 %	95 %
Investment revenue	110 024 611	(20 470 857)	89 553 754	-		89 553 754		(18 903 851)	79 %	64 %
Transfers recognised - operational	1 136 152 437	105 258 861	1 241 411 298	-		1 241 411 298		(215 054 013)	83 %	90 %
Other own revenue	925 724 867	(28 182 840)	897 542 027	-		897 542 027		(15 026 364)	98 %	95 %
Total revenue (excluding capital transfers and contributions)	7 143 008 464	5 392 022	7 148 400 486	-		7 148 400 486		(440 536 452)	94 %	94 %
Employee costs	(2 258 483 447)	(1 873 261)	(2 260 356 708)	-		(2 260 356 708)		55 717 123	98 %	98 %
Remuneration of councillors	(69 760 944)	2 983 000	(66 777 944)	-		(66 777 944)		455 200	99 %	95 %
Debt impairment	(372 832 991)	(211 359 014)	(584 192 005)			(584 192 005)	(17 649 513)	(17 649 512)	103 %	161 %
Depreciation and asset impairment	(918 128 117)	(793 826 063)	(1 711 954 180)			(1 711 954 180)		2 282 566	100 %	186 %
Finance charges	(41 004 000)	8 401 000	(32 603 000)	-		(32 603 000)		39 123	100 %	79 %
Materials and bulk purchases	(2 010 702 001)	142 453 160	(1 868 248 841)	-		(1 868 248 841)		33 823	100 %	93 %
Transfers and grants	(48 174 691)	(87 934 154)	(136 108 845)	-		(136 108 845)		5 090 118	96 %	272 %
Other expenditure	(1 423 011 643)	1 057 148	(1 421 954 495)	-		(1 421 954 495)		205 784 665	86 %	85 %
Total expenditure	(7 142 097 834)	(940 098 184)	(8 082 196 018)	-		(8 082 196 018)	(17 649 513)	251 753 106	97 %	110 %
Surplus/(Deficit)	910 630	(934 706 162)	(933 795 532)	-		(933 795 532)		(188 783 346)	120 %	120 %

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Final budget council approved policy)	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	974 549 040	344 791 455	1 319 340 495	-		1 319 340 495	1 024 224 394	(295 116 101)	78 %	105 %
Surplus (Deficit) after capital transfers and contributions	975 459 670	(589 914 707)	385 544 963	-		385 544 963	(98 354 484)	(483 899 447)	(26)%	(10)%
Share of surplus (deficit) of associate	-	-	-	-		-	(105 406 358)	(105 406 358)	- %	- %
Surplus/(Deficit) for the year	975 459 670	(589 914 707)	385 544 963	-		385 544 963	7 051 874	(378 493 089)	2 %	1 %

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o.Final budget council approved policy)	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Capital expenditure and funds sources										
Sources of capital funds										
Transfers recognised - capital	1 039 831 041	279 509 455	1 319 340 496	-		1 319 340 496	905 525 867	(413 814 629)	69 %	87 %
Borrowing	69 581 825	(69 581 825)	-	-		-	-	-	- %	- %
Internally generated funds	628 000 000	281 555 719	909 555 719	-		909 555 719	643 816 022	(265 739 697)	71 %	103 %
Total sources of capital funds	1 737 412 866	491 483 349	2 228 896 215	-		2 228 896 215	1 549 341 889	(679 554 326)	70 %	89 %
Financial position										
Total current assets	3 463 640 863	(635 001 348)	2 828 639 515	-		2 828 639 515	3 298 963 700	470 324 185	117 %	95 %
Total non current assets	20 818 953 887	495 997 382	21 314 951 269	-		21 314 951 269	20 426 201 391	(888 749 878)	96 %	98 %
Total current liabilities	(1 716 206 030)	1 229 993	(1 714 976 037)	-		(1 714 976 037)	(2 178 303 682)	(463 327 645)	127 %	127 %
Total non current liabilities	(825 708 257)	-	(825 708 257)	-		(825 708 257)	(997 976 942)	(172 268 685)	121 %	121 %
Community wealth/Equity	21 740 680 463	(137 773 973)	21 602 906 490	-		21 602 906 490	20 548 884 467	(1 054 022 023)	95 %	95 %

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Final budget council approved policy)	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows										
Net cash from (used) operating	1 823 466 049	421 917 375	2 245 383 424	-		2 245 383 424	1 930 116 545	(315 266 879)	86 %	106 %
Net cash from (used) investing	(1 737 412 866)	(491 483 349)	(2 228 896 215)	-		(2 228 896 215)	(1 670 065 197)	558 831 018	75 %	96 %
Net cash from (used) financing	12 732 898	(68 351 832)	(55 618 934)	-		(55 618 934)	(57 973 556)	(2 354 622)	104 %	(455)%
Net increase/(decrease) in cash and cash equivalents	98 786 081	(137 917 806)	(39 131 725)	-		(39 131 725)	202 077 792	241 209 517	(516)%	205 %
Cash and cash equivalents at the beginning of the year	1 551 516 187	(379 883 272)	1 171 632 915	-		1 171 632 915	1 171 632 915	-	100 %	76 %
Cash and cash equivalents at year end	1 650 302 268	(517 801 078)	1 132 501 190	-		1 132 501 190	1 373 710 707	241 209 517	121 %	83 %

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Final budget council approved policy)	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget	
Economic entity - 2020											
Financial Performance											
Property rates	1 552 050 927	-	1 552 050 927	-		1 552 050 927	1 467 399 835	(84 651 092)	95 %	95 %	
Service charges	3 419 055 622	(51 213 142)	3 367 842 480	-		3 367 842 480	3 260 941 347	(106 901 133)	97 %	95 %	
Investment revenue	109 196 170	(20 305 000)	88 891 170	-		88 891 170	70 130 284	(18 760 886)	79 %	64 %	
Transfers recognised - operational	1 126 901 681	29 578 339	1 156 480 020	-		1 156 480 020	979 243 096	(177 236 924)	85 %	87 %	
Other own revenue	874 111 950	21 500 000	895 611 950	-		895 611 950	880 625 015	(14 986 935)	98 %	101 %	
Total revenue (excluding capital transfers and contributions)	7 081 316 350	(20 439 803)	7 060 876 547	-		7 060 876 547	6 658 339 577	(402 536 970)	94 %	94 %	
Employee costs	(2 235 468 759)	(3 581 113)	(2 239 049 872)	-	-	(2 239 049 872)	(2 180 295 557)	58 754 315	97 %	98 %	
Remuneration of councillors	(68 485 444)	3 700 000	(64 785 444)	-	-	(64 785 444)	(64 687 500)	97 944	100 %	94 %	
Debt impairment	(372 832 991)	(211 359 014)	(584 192 005)		(584 192 005)	(601 841 518)	(17 649 513)	(17 649 513)	103 %	161 %	
Depreciation and asset impairment	(916 366 862)	(794 627 844)	(1 710 994 706)		(1 710 994 706)	(1 709 074 441)	-	1 920 265	100 %	187 %	
Finance charges	(41 000 000)	8 400 000	(32 600 000)	-	-	(32 600 000)	(32 563 877)	36 123	100 %	79 %	
Materials and bulk purchases	(2 010 400 244)	143 439 259	(1 866 960 985)	-	-	(1 866 960 985)	(1 866 902 135)	58 850	100 %	93 %	
Transfers and grants	(47 874 691)	(87 955 422)	(135 830 113)	-	-	(135 830 113)	(130 821 364)	5 008 749	96 %	273 %	
Other expenditure	(1 388 180 157)	22 619 204	(1 365 560 953)	-	-	(1 365 560 953)	(1 190 340 675)	175 220 278	87 %	86 %	
Total expenditure	(7 080 609 148)	(919 364 930)	(7 999 974 078)	-	-	(7 999 974 078)	(7 776 527 067)	(17 649 513)	223 447 011	97 %	110 %
Surplus/(Deficit)	707 202	(939 804 733)	(939 097 531)	-		(939 097 531)	(1 118 187 490)	(179 089 959)	119 %	158 114 %	

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	974 549 040	344 791 455	1 319 340 495	-		1 319 340 495	1 010 413 222		(308 927 273)	77 %	104 %
Surplus (Deficit) after capital transfers and contributions	975 256 242	(595 013 278)	380 242 964	-		380 242 964	(107 774 268)		(488 017 232)	(28)%	(11)%
Share of (surplus) / deficit of associate	-	-	-	-		-	(105 406 358)		(105 406 358)	- %	- %
Surplus/(Deficit) for the year	975 256 242	(595 013 278)	380 242 964	-		380 242 964	(2 367 910)		(382 610 874)	(1)%	- %
Capital expenditure and funds sources											
Sources of capital funds											
Transfers recognised - capital	974 549 041	344 791 455	1 319 340 496	-		1 319 340 496	905 525 867		(413 814 629)	69 %	93 %
Borrowing	69 581 825	(69 581 825)	-	-		-	-		-	- %	- %
Internally generated funds	628 000 000	279 273 719	907 273 719	-		907 273 719	642 140 602		(265 133 117)	71 %	102 %
Total sources of capital funds	1 672 130 866	554 483 349	2 226 614 215	-		2 226 614 215	1 547 666 469		(678 947 746)	70 %	93 %
Financial position											
Total current assets	3 544 907 965	(722 858 242)	2 822 049 723	-		2 822 049 723	3 282 211 491		460 161 768	116 %	93 %
Total non current assets	20 742 992 350	491 483 349	21 234 475 699	-		21 234 475 699	20 423 405 913		(811 069 786)	96 %	98 %
Total current liabilities	(1 714 825 790)	1 073 082	(1 713 752 708)	-		(1 713 752 708)	(2 171 076 666)		(457 323 958)	127 %	127 %
Total non current liabilities	(825 708 258)	-	(825 708 258)	-		(825 708 258)	(997 144 209)		(171 435 951)	121 %	121 %
Community wealth/Equity	21 747 366 267	(230 301 811)	21 517 064 456	-		21 517 064 456	20 537 396 529		(979 667 927)	95 %	94 %

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Final budget council approved policy)	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Cash flows										
Net cash from (used) operating	1 826 064 708	413 202 000	2 239 266 708	-		2 239 266 708	1 916 345 055	(322 921 653)	86 %	105 %
Net cash from (used) investing	(1 672 130 866)	(554 483 349)	(2 226 614 215)	-		(2 226 614 215)	(1 668 439 031)	558 175 184	75 %	100 %
Net cash from (used) financing	14 113 138	(68 508 743)	(54 395 605)	-		(54 395 605)	(57 973 556)	(3 577 951)	107 %	(411)%
Net increase/(decrease) in cash and cash equivalents	168 046 980	(209 790 092)	(41 743 112)	-		(41 743 112)	189 932 468	231 675 580	(455)%	113 %
Cash and cash equivalents at the beginning of the year	1 563 522 390	(395 867 878)	1 167 654 512	-		1 167 654 512	1 167 645 512	(9 000)	100 %	75 %
Cash and cash equivalents at year end	1 731 569 370	(605 657 970)	1 125 911 400	-		1 125 911 400	1 357 577 980	(231 666 580)	121 %	78 %

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Explanation of significant variances greater than 10% on budget comparison to actuals

Reasons for material variances shown on the Statement of Comparison of Budget and Actual Amounts are detailed below:

REVENUE BY SOURCE

Investment Revenue

Interest rate on call investments is less due to decline in repo rate and thus interest earned on these investments. The decline in collection rate has also contributed on available cash for investment.

Transfers recognised – operational

The variance is caused by revenue of R174 million for Human Settlement Development Grant (HSDG) that is disclosed in terms of GRAP 109. These funds are budgeted in the statement of financial performance to ensure proper control and accountability, however, in terms of GRAP 109, this is only disclosed in the statement of financial position.

EXPENDITURE BY TYPE

Debt Impairment

The variance is as a result of the increase in debtors primarily due to non-payment by customers within the financial year. The COVID-19 pandemic and increase in billing as a result of punitive tariffs due to the drought have exacerbated the situation

Other Expenditure

The variance is caused by expenditure of R174 million for Human Settlement Development Grant (HSDG) that is disclosed in terms of GRAP 109. These funds are budgeted in the statement of financial performance to ensure proper control and accountability, however, in terms of GRAP 109, this is only disclosed in the statement of financial position.

Share of surplus/ (deficit) of associate

The Industrial Development Zone (IDZ) surplus for the year ended 31 March 2020 increased from R113 million to R405 million in the 2019/20 financial year which resulted in a huge increase in the share of associate surplus as the entity has a 26 percent shareholding in IDZ.

Surplus/ (Deficit) for the year

The deficit for the year that has been incurred by the Metro is mainly caused by two non-cash items - Depreciation & amortisation and Debt impairment.

Depreciation & amortisation: Infrastructure assets revalued at the end of each financial year in accordance with the accounting policy adopted by BCMM. The revaluation result in additional depreciation that cannot be compensated by increasing tariffs as that would lead to unaffordable tariffs. The change of valuation model is still under consideration.

Debt impairment: The increase is due to rise in debtors primarily due to non-payment by customers within the financial year. The COVID-19 pandemic and increase in billing as a result of punitive tariffs due to the drought have exacerbated the situation.

CAPITAL EXPENDITURE AND FUNDS SOURCES

Transfers Recognised - Capital

Covid-19 lockdown restrictions have negatively affected performance on grants as it delayed and disrupted implementation of projects. The grants affected are Neighbourhood Development Partnership Grant (NDPG), Urban Settlement Development Grant (USDG) and Public Transport Network Grant (PTNG). These funds are already fully committed to identifiable projects.

Internally generated funds

Covid-19 lockdown restrictions have negatively affected performance on projects as it delayed and disrupted implementation of projects; however, most of the projects are already awarded and the funding of such projects is fully committed.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

FINANCIAL POSITION

Total current assets

The increase in cash and cash equivalent is due to negative impact of the COVID 19 disaster which caused delays in the implementation of projects and also the debtors increased significantly as a result of low collection rate that was affected by non-implementation of credit control policy due to the national state of disaster.

Total current liabilities

There was an increase in trade payables due to increased year end accruals and unspent conditional grants. There was a delay in the implementation of projects due to the restrictions of state of disaster being declared country wide.

Total non-current liabilities

There was an increase in the provisions due to legislation changes in the 2019/2020 financial year, all BCMM waste sites have been now classified as Class B general waste disposal sites. This has increased the obligation for the rehabilitation of these sites substantially, as this legislation now requires an increase in the capping layers for all of BCMM's waste sites.

CASH FLOWS

Net cash from (used) operating

The main contributing factor is capital transfers recognized. Covid-19 lockdown restrictions have negatively affected performance on grants as it delayed and disrupted implementation of projects.

Net cash from (used) investing

Capital assets paid for were less than the adjusted budget due to under expenditure on capital budget due to delays in the implementation of projects as a result of COVID-19 lockdown.

Net increase/ (decrease) in cash held

The increase is a result of under expenditure on capital expenditure due to delays in the implementation of projects as a result of COVID-19 lockdown.

Cash / cash equivalents at the year end

The increase in cash and cash equivalents is as a result of increase in unspent conditional grants due to delays in the implementation of projects as a result of COVID-19 lockdown.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1. Presentation of Unaudited Consolidated Annual Financial Statements

The unaudited consolidated annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These unaudited consolidated annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these unaudited consolidated annual financial statements, are disclosed below.

1.1 Going concern assumption

These unaudited consolidated annual financial statements have been prepared based on the expectation that the economic entity will continue to operate as a going concern for at least the next 12 months.

1.2 Significant judgements and sources of estimation uncertainty

In preparing the unaudited consolidated annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the unaudited consolidated annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the unaudited consolidated annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The economic entity assesses its trade receivables, held to maturity investments and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance has been made for stock to write stock down to the lower of cost or net realisable value. Management has made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the notes to the financial statements per inventory note 9.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the economic entity is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the economic entity for similar financial instruments.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including i.e. production estimates, supply demand, together with economic factors such as exchange rates, inflation and interest.

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in note 19 - Provisions.

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The economic entity recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The economic entity has in accordance with paragraph 8 of Directive 5, GRAP Reporting Framework, adopted International Financial Reporting Standards (IFRS) IAS 12- Income Taxes. This is as a result of the absence of a GRAP standard dealing with taxation.

The economic entity recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the economic entity to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the economic entity to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

Useful lives of waste and water network and other assets

The entity's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post-retirement benefits

The present value of the post-retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post-retirement obligations.

The economic entity determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the economic entity considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in Note 9.

Effective interest rate

The economic entity used the prime interest rate to discount future cash flows.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

Accounting by principals and agent

The economic entity makes assessments on whether it is the principal or agent in principal-agent relationships.

1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property excludes owner-occupied property.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the economic entity, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.3 Investment property (continued)

When classification is difficult, the criteria used to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of operations, are as follows:

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:

- (a) commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- (b) commencement of development with a view to sale, for a transfer from investment property to inventories;
- (c) end of owner-occupation, for a transfer from owner-occupied property to investment property; or
- (d) commencement of an operating lease (on a commercial basis) to another party, for a transfer from inventories to investment property.

The initial cost of a property interest held under a lease and classified as an investment property has been recognised at the lower of the fair value of the property and the present value of the minimum lease payments.

1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the economic entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and standby equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and standby equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.4 Property, plant and equipment (continued)

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses, except for land, buildings, other properties, community properties, roads, electricity, water and wastewater which is carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value except for furniture and fittings, which are depreciated using the diminishing balance method at 10% per annum.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight-line	Indefinite
Buildings	Straight-line	30 to 60
Plant and machinery	Straight-line	3 to 30
Motor vehicles	Straight-line	4 to 15
Furniture and fittings	Diminishing balance	10%
Electricity	Straight-line	30 to 60
Community - Buildings	Straight-line	30 to 60
Community - Recreation	Straight-line	15 to 60
Other properties	Straight-line	5 to 60
Roads	Straight-line	5 to 100
Wastewater network	Straight-line	5 to 80
Water network	Straight-line	5 to 150

The Municipality acquires and maintains assets to provide social service to the community, with no intention of disposing of the assets for any economic gain, and thus no residual values are determined other than that of certain Plant and Equipment, and Transport assets with significant carrying values. For Plant and Equipment and Transport assets (Above R5000) the residual value and the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised prospectively as a change in accounting estimates in the Statement of Financial Performance. Minor assets (Below R5000) are recognised and depreciated annually to R1 and are included in the asset register mainly for completeness and monitoring purposes.

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.4 Property, plant and equipment (continued)

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised and will be classified as revenue. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the entity holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the entity.

Servitudes are recognised as a component of property, plant and equipment as it is directly linked to the location and construction of infrastructure assets.

1.5 Site restoration and dismantling cost

The entity has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.6 Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance.

An asset is identified as an intangible asset when it:

- is capable of being separated or divided from a entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability, or
- arises from contractual rights or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the economic entity; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

When an intangible asset is acquired through a non-exchange transaction, the cost shall be its fair value as at the date of acquisition.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.6 Intangible assets (continued)

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight-line basis, to their residual values as follows:

Item	Depreciation method	Average useful life
Computer software	Straight-line	3 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.7 Heritage assets

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an economic entity's operations that is shown as a single item for the purpose of disclosure in the unaudited consolidated annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Recognition

The entity recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the entity, and the cost or fair value of the asset can be measured reliably.

If a entity holds an asset that might be regarded as a heritage asset but which, on initial recognition, does not meet the recognition criteria of a heritage asset because it cannot be reliably measured, relevant and useful information about it shall be disclosed in the notes to the financial statements.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.7 Heritage assets (continued)

Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

Impairment

The entity assesses at each reporting date whether there is an indication that a heritage assets may be impaired. If any such indication exists, the entity estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

Derecognition

The economic entity derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.8 Investments in associates

Controlling entity unaudited consolidated annual financial statements

An associate is a entity over which the entity is in a position to exercise significant influence, through participation in the financial and operating policy decisions of the investment.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting.

The carrying value of the investment in associates is adjusted for the municipality's share of operating surpluses/(deficits) less any dividends received.

Where the entity or its entities transact with an associate, unrealised gains and losses are eliminated to the extent of the municipality's or its municipal entities' interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

Where the entity is no longer able to exercise significant influence over the associate, the equity method of accounting is discontinued.

The entity uses the most recent available financial statements of the associate in applying the equity method.

1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.9 Financial instruments (continued)

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by a entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from a municipality's statement of financial position.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, a entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by a entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.9 Financial instruments (continued)

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
 - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
 - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
 - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
 - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position and in note 20:

Class

Cash and cash equivalents
Receivables from non-exchange transactions
Receivables from exchange transactions

Category

Financial asset measured at amortised cost
Financial asset measured at amortised cost
Financial asset measured at amortised cost

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position and in note 22:

Class

Borrowings
Payables from exchange transactions
Unspent conditional grants and receipts
Accrued leave pay
Consumer deposits
Other deposits

Category

Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at amortised cost
Financial liability measured at fair value
Financial liability measured at fair value

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.9 Financial instruments (continued)

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, the municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the municipality reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.9 Financial instruments (continued)

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and uncollectibility of financial assets

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

1.10 Statutory receivables

Identification

Statutory receivables are receivables that arise from legislation, supporting regulations, or similar means, and require settlement by another entity in cash or another financial asset.

Carrying amount is the amount at which an asset is recognised in the statement of financial position.

The cost method is the method used to account for statutory receivables that requires such receivables to be measured at their transaction amount, plus any accrued interest or other charges (where applicable) and, less any accumulated impairment losses and any amounts derecognised.

Nominal interest rate is the interest rate and/or basis specified in legislation, supporting regulations or similar means.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.10 Statutory receivables (continued)

The transaction amount for a statutory receivable means the amount specified in, or calculated, levied or charged in accordance with, legislation, supporting regulations, or similar means.

Recognition

The economic entity recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using the policy on Revenue from exchange transactions;
- if the transaction is a non-exchange transaction, using the policy on Revenue from non-exchange transactions (Taxes and transfers); or
- if the transaction is not within the scope of the policies listed in the above or another Standard of GRAP, the receivable is recognised when the definition of an asset is met and, when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the transaction amount can be measured reliably.

Transitional provision

The entity took advantage of the transitional provision granted in Directive 3 of the GRAP Reporting Framework. Refer to note 1.34 for more details in this regard.

1.11 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities

A deferred tax liability is recognised for all taxable temporary differences, except to the extent that the deferred tax liability arises from the initial recognition of an asset or liability in a transaction which at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that taxable surplus will be available against which the deductible temporary difference can be utilised. A deferred tax asset is not recognised when it arises from the initial recognition of an asset or liability in a transaction at the time of the transaction, affects neither accounting surplus nor taxable profit (tax loss).

A deferred tax asset is recognised for the carry forward of unused tax losses and unused STC credits to the extent that it is probable that future taxable surplus will be available against which the unused tax losses and unused STC credits can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in surplus or deficit for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to net assets; or
- a business combination.

Current tax and deferred taxes are charged or credited to net assets if the tax relates to items that are credited or charged, in the same or a different period, to net assets.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.12 Leases

A lease is either a written or implied contract by which an owner (the lessor) of a specific asset grants a second party (the lessee) the right to its exclusive possession and use for a specific period and under specific conditions, in return for specific periodic rental or lease payments.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

1.13 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction and then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the economic entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the formula. The same cost formula is used for all inventories having a similar nature and use to the economic entity.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.14 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the economic entity; or
- the number of production or similar units expected to be obtained from the asset by the economic entity.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The economic entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the economic entity estimates the recoverable amount of the asset.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the economic entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the economic entity applies the appropriate discount rate to those future cash flows.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the economic entity determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the economic entity use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.14 Impairment of cash-generating assets (continued)

Reversal of impairment loss

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

1.15 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the economic entity; or
- the number of production or similar units expected to be obtained from the asset by the economic entity.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.15 Impairment of non-cash-generating assets (continued)

At each reporting date a review is carried out to determine whether there are any indications that any assets and non-cash-generating units may be impaired. If such indications exist, the recoverable amounts of the affected assets are determined.

Where the recoverable amount of an asset or non-cash-generating unit is lower than its carrying amount, an impairment loss is recognised in surplus or deficit in respect of assets at historic cost, and recognised in the revaluation reserve in respect of assets at revalued amounts.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The economic entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the economic entity estimates the recoverable service amount of the asset.

Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of non-cash-generating assets is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the economic entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the economic entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.15 Impairment of non-cash-generating assets (continued)

Reversal of an impairment loss

The economic entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the economic entity estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

1.16 Employee benefits

Employee benefits are all forms of consideration given by a entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting municipality's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from a entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.16 Employee benefits (continued)

Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognises the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognises the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which a entity provides post-employment benefits for one or more employees.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which a entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, a entity recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.16 Employee benefits (continued)

Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognises actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognises past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measures the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determines the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the unaudited consolidated annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.16 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, a entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, a entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.16 Employee benefits (continued)

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
 - those changes were enacted before the reporting date; or
 - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

1.17 Provisions and contingencies

Provisions are recognised when:

- the economic entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the economic entity settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating (deficits).

If a entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.17 Provisions and contingencies (continued)

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
 - the activity/operating unit or part of an activity/operating unit concerned;
 - the principal locations affected;
 - the location, function, and approximate number of employees who will be compensated for services being terminated;
 - the expenditures that will be undertaken; and
 - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the economic entity

No obligation arises as a consequence of the sale or transfer of an operation until the economic entity is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 51.

1.18 Commitments

Items are classified as commitments when the entity has committed itself to future transactions that will normally result in the outflow of cash. A commitment is disclosed to the extent that it has not already been recognised elsewhere in the financial statements.

At the end of each financial period the entity determines commitments in respect of capital expenditure that has been approved and contracted for which is then disclosed as a note in the annual financial statements differentiating between community, infrastructure and other capital expenditure commitments. (Refer to note 50)

1.19 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.19 Revenue from exchange transactions (continued)

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Service charges relating to solid waste, sanitation and sewerage are levied in terms of the approved tariffs.

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and revenue is recognised in the period when the consumption took place. Provisional estimates of consumption are made monthly when meter readings have not been performed. Adjustments to provisional estimates of consumption are made in the invoicing period when meters have been read. These adjustments are recognised as revenue in the invoicing period.

To include all revenue in the financial period, calculations and accruals are made to account for consumption that took place during the last meter reading dates and the financial year end.

Services provided on a prepayment basis are recognised at the point of sale. An adjustment for an unutilised portion is made at year-end, based on the average consumption history.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the economic entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the economic entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the economic entity;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by surveys of work performed.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.19 Revenue from exchange transactions (continued)

Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the entity, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the entity's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.20 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arises when the entity can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting entity.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

Taxes such as property rates are economic benefits or service potential compulsorily paid or payable to the entity, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.20 Revenue from non-exchange transactions (continued)

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

Taxes (Property rates)

The entity recognises an asset in respect of taxes at the gross amount when the taxable event occurs and the asset recognition criteria are met.

Transfers

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Debt forgiveness and assumption of liabilities

The entity recognises revenue in respect of debt forgiveness when the former debt no longer meets the definition of a liability or satisfies the criteria for recognition as a liability.

Revenue arising from debt forgiveness is measured at the carrying amount of debt forgiven.

Fines

Fines are economic benefits or service potential received or receivable by the entity, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the entity.

Where the entity collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Traffic fines are accounted for at a net value based on total outstanding fines calculated using the average of the previous three years less impairment based on a probability collection factor calculated using the average of the previous 5 years.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in-kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

1.21 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.22 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset when it is probable that they will result in future economic benefits or service potential to the economic entity, and the costs can be measured reliably. The economic entity applies this consistently to all borrowing costs that are directly attributable to the acquisition, construction, or production of all qualifying assets of the economic entity. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the economic entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value or replacement cost, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets and Inventories as per accounting policy number 1.13, 1.14 and 1.15. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is suspended.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

When the economic entity completes the construction of a qualifying asset in parts and each part is capable of being used while construction continues on other parts, the economic entity ceases capitalising borrowing costs when it completes substantially all the activities necessary to prepare that part for its intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.23 Accounting by principals and agents

Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

Identifying whether an entity is a principal or an agent

When the entity is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an entity is a principal or an agent requires the entity to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

Binding arrangement

The economic entity assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.23 Accounting by principals and agents (continued)

Assessing which entity benefits from the transactions with third parties

When the economic entity in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the economic entity concludes that it is not the agent, then it is the principal in the transactions.

The economic entity is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the economic entity has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The economic entity applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the economic entity is an agent.

Recognition

The economic entity, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The economic entity, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The economic entity recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

1.24 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.25 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.26 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.27 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements is recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements. Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end is recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the municipal Council may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.28 Use of estimates

The preparation of unaudited annual financial statements in conformity with Standards of GRAP requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the unaudited annual financial statements are disclosed in the relevant sections of the unaudited annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.29 Revaluation reserve

The surplus arising from the revaluation of property, plant and equipment is credited to a non-distributable reserve. The revaluation surplus is realised as revalued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/deficit. On disposal, the net revaluation surplus is transferred to the accumulated surplus/deficit while gains or losses on disposal, based on revalued amounts, are credited or charged to the statement of financial performance.

1.30 Off-setting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.31 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the entity has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.32 Budget information

Economic Entity are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by economic entity shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.32 Budget information (continued)

The approved budget is prepared on an accrual basis and presented by functional classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2019/07/01 to 2020/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

Comparative information is not required.

Differences between budget and actual amounts are regarded as material differences when a 10% difference exists. All material differences are explained in the Statement of Comparison of Budget and Actual Amounts to the annual financial statements.

1.33 Related parties

Parties are considered to be related if one party directly or indirectly has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions or is a member of the key management of the entity. (Refer to note 52)

1.34 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The economic entity will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The economic entity will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

1.35 Transitional provisions

Transitional provision for Statutory Receivables

The economic entity changed its relating accounting policy in 2020. The change in accounting policy is made in accordance with its transitional provision as per Directive 3 of the GRAP Reporting Framework.

Until such time as the measurement period expires and relating items are classified and measured in accordance with the requirements of the associated Standard of GRAP, the economic entity need not comply with the relating requirements of the Standards of GRAP on:

- Statutory Receivables (GRAP 108)

The entity will comply with the disclosure requirement of GRAP 108, as and when statutory receivable are classified and measured in accordance with the Standard of GRAP.

Refer to note 63 for additional disclosure in this regard.

Due to initial adoption of the GRAP standard

According to the transitional provision, the economic entity is not required to change its accounting policy in respect of the classification and measurement of Statutory Receivables for the reporting periods beginning on a date within 3 years following the date of initial adoption of the specific Standard of GRAP (GRAP 108). The transitional provision expires on 2022/06/30.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.36 Value added tax (VAT)

The entity accounts for value added tax on the payment basis. Revenue, expenses and assets are recognised net of the amount of VAT. The net amount of VAT recoverable from or payable to, the taxation authority is disclosed on the face of the statement of financial position. (Refer to note 13)

1.37 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the statement of financial performance.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019	2020	2019

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The economic entity has not applied the following standards and interpretations, which have been published and are mandatory for the economic entity's accounting periods beginning on or after 01 July 2020 or later periods:

IGRAP 20: Accounting for Adjustments to Revenue

As per the background to this Interpretation of the Standards of GRAP, there are a number of legislative and regulatory processes that govern how entities levy, charge or calculate revenue, in the public sector. Adjustments to revenue already recognised in terms of legislation or similar means arise from the completion of an internal review process within the entity, and/or the outcome of an external appeal or objection process undertaken in terms of legislation or similar means. Adjustments to revenue include any refunds that become payable as a result of the completion of a review, appeal or objection process. The adjustments to revenue already recognised following the outcome of a review, appeal or objection process can either result in a change in an accounting estimate, or a correction of an error.

As per the scope, this Interpretation of the Standards of GRAP clarifies the accounting for adjustments to exchange and non-exchange revenue charged in terms of legislation or similar means, and interest and penalties that arise from revenue already recognised as a result of the completion of a review, appeal or objection process. Changes to the measurement of receivables and payables, other than those changes arising from applying this Interpretation, are dealt with in accordance with the applicable Standards of GRAP. The principles in this Interpretation may be applied, by analogy, to the accounting for adjustments to exchange or non-exchange revenue that arises from contractual arrangements where the fact patterns are similar to those in the Interpretation.

The interpretation sets out the issues and relating consensus with accounting for adjustments to revenue.

The effective date of the interpretation is for years beginning on or after 01 April 2020.

The economic entity expects to adopt the interpretation for the first time in the 2020/2021 unaudited consolidated annual financial statements.

It is unlikely that the standard will have a material impact on the economic entity's unaudited consolidated annual financial statements.

GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

To meet this objective, the Standard:

- requires an entity (the controlling entity) that controls one or more other entities (controlled entities) to present consolidated financial statements;
- defines the principle of control, and establishes control as the basis for consolidation;
- sets out how to apply the principle of control to identify whether an entity controls another entity and therefore must consolidate that entity;
- sets out the accounting requirements for the preparation of consolidated financial statements; and
- defines an investment entity and sets out an exception to consolidating particular controlled entities of an investment entity.

It furthermore covers Definitions, Control, Accounting requirements, Investment entities: Fair value requirement, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The economic entity expects to adopt the standard for the first time in the 2020/2021 unaudited consolidated annual financial statements.

It is unlikely that the standard will have a material impact on the economic entity's unaudited consolidated annual financial statements.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 38: Disclosure of Interests in Other Entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate:

- the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and
- the effects of those interests on its financial position, financial performance and cash flows.

It furthermore covers Definitions, Disclosing information about interests in other entities, Significant judgements and assumptions, Investment entity status, Interests in controlled entities, Interests in joint arrangements and associates, Interests in structured entities that are not consolidated, Non-qualitative ownership interests, Controlling interests acquired with the intention of disposal, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The economic entity expects to adopt the standard for the first time in the 2020/2021 unaudited consolidated annual financial statements.

It is unlikely that the standard will have a material impact on the economic entity's unaudited consolidated annual financial statements.

GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

It furthermore covers Definitions, Significant influence, Equity method, Application of the equity method, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The economic entity expects to adopt the standard for the first time in the 2020/2021 unaudited consolidated annual financial statements.

It is unlikely that the standard will have a material impact on the economic entity's unaudited consolidated annual financial statements.

GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

To meet this objective, the Standard defines joint control and requires an entity that is a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and to account for those rights and obligations in accordance with that type of joint arrangement.

It furthermore covers Definitions, Joint arrangements, Financial statements and parties to a joint arrangement, Separate financial statements, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020

The economic entity expects to adopt the standard for the first time in the 2020/2021 unaudited consolidated annual financial statements.

It is unlikely that the standard will have a material impact on the economic entity's unaudited consolidated annual financial statements.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

GRAP 110 (as amended 2016): Living and Non-living Resources

The objective of this Standard is to prescribe the:

- recognition, measurement, presentation and disclosure requirements for living resources; and
- disclosure requirements for non-living resources

It furthermore covers Definitions, Recognition, Measurement, Depreciation, Impairment, Compensation for impairment, Transfers, Derecognition, Disclosure, Transitional provisions and Effective date.

The subsequent amendments to the Standard of GRAP on Living and Non-living Resources resulted from editorial changes to the original text and inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 17 on Property, Plant and Equipment (IPSAS 17) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015 and Improvements to IPSASs 2015 issued in March 2016.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23; and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when a living resource is revalued; To clarify acceptable methods of depreciating assets; and To define a bearer plant and include bearer plants within the scope of GRAP 17 or GRAP 110, while the produce growing on bearer plants will remain within the scope of GRAP 27

The effective date of the standard is for years beginning on or after 01 April 2020.

The economic entity expects to adopt the standard for the first time in the 2020/2021 unaudited consolidated annual financial statements.

It is unlikely that the standard will have a material impact on the economic entity's unaudited consolidated annual financial statements.

GRAP 34: Separate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

It furthermore covers Definitions, Preparation of separate financial statements, Disclosure, Transitional provisions and Effective date.

The effective date of the standard is for years beginning on or after 01 April 2020.

The economic entity expects to adopt the standard for the first time in the 2020/2021 unaudited consolidated annual financial statements.

It is unlikely that the standard will have a material impact on the economic entity's unaudited consolidated annual financial statements.

GRAP 18 (as amended 2016): Segment Reporting

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the entity. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

2. New standards and interpretations (continued)

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the municipality's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

The subsequent amendments to the Standard of GRAP on Segment Reporting resulted from editorial and other changes to the original text have been made to ensure consistency with other Standards of GRAP.

The most significant changes to the Standard are:

- General improvements: An appendix with illustrative segment disclosures has been deleted from the Standard as the National Treasury has issued complete examples as part of its implementation guidance.

The effective date of the standard is for years beginning on or after 01 April 2020

The economic entity expects to adopt the standard for the first time in the 2020/2021 unaudited consolidated annual financial statements.

The impact of this standard is currently being assessed.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand

3. Investment property

Economic entity

2020			2019		
Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
406 525 752	-	406 525 752	402 532 000	-	402 532 000

Investment property

Controlling entity

2020			2019		
Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
406 525 752	-	406 525 752	402 532 000	-	402 532 000

Investment property

Reconciliation of investment property - Economic entity - 2020

	Opening balance	Additions	Derecognition	Fair value adjustments	Total
Investment property	402 532 000	6 015 752	(338 700)	(1 683 300)	406 525 752

Reconciliation of investment property - Economic entity - 2019

	Opening balance	Fair value adjustments	Total
Investment property	393 992 726	8 539 274	402 532 000

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand

3. Investment property (continued)

Reconciliation of investment property - Controlling entity - 2020

	Opening balance	Additions	Derecognition	Fair value adjustments	Total
Investment property	402 532 000	6 015 752	(338 700)	(1 683 300)	406 525 752

Reconciliation of investment property - Economic entity - 2019

	Opening balance	Fair value adjustments	Total
Investment property	393 992 726	8 539 274	402 532 000

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the entity.

No Investment Properties are pledged as a security and there are no restrictions on all the Investment Properties.

The total direct operating expenses for repairs and maintenance on all municipal properties amounts to R382 200 392 including repairs and maintenance expenses on investment properties. Refer to repairs and maintenance note 43 and commitments note 50.

Operational expenditure regarding investment property earning rentals and those that are not earning rentals are not available as these expenses pertaining to investment properties are not budgeted for separately on the budget.

Per accounting policy Note 1.3 the entity is on the fair value (FV) model of measuring Investment Property.

There are no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

The values were determined jointly by an external property valuer, through the update of the Investment Property. All the properties were individually valued by the Property Valuers and assumptions used are detailed per each property.

Registration details of internal and external valuers involved in the valuation were as follows;
Mr. Graham, Professional Valuer (3841)

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

3. Investment property (continued)

Properties were individually valued using a specific method that is best applicable to each property. The full methodology and assumptions used are available for review to each property certificate.

Rental income from investment properties in respect of monthly and annual leases amounted to R14 297 377, (2019: R16 045 368).

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment

Economic entity

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	81 658 476	-	81 658 476	81 658 476	-	81 658 476
Plant and machinery	128 071 384	(89 859 238)	38 212 146	122 172 373	(76 610 337)	45 562 036
Furniture and fixtures	178 463 102	(120 448 167)	58 014 935	167 352 080	(100 190 975)	67 161 105
Motor vehicles	607 164 437	(279 024 454)	328 139 983	579 717 211	(221 866 165)	357 851 046
IT equipment	761 509	(568 597)	192 912	705 442	(469 710)	235 732
Electricity infrastructure	10 571 575 898	(7 148 107 237)	3 423 468 661	10 727 934 897	(6 886 228 033)	3 841 706 864
Other properties (halls, social housing)	1 930 389 136	(906 121 580)	1 024 267 556	1 787 510 450	(842 245 574)	945 264 876
Work in progress (WIP)	4 286 106 730	-	4 286 106 730	3 600 262 531	-	3 600 262 531
Park facilities	808 009 080	(565 311 278)	242 697 802	823 906 137	(511 275 393)	312 630 744
Roads	13 167 131 645	(8 511 365 720)	4 655 765 925	13 062 057 195	(8 113 238 941)	4 948 818 254
Wastewater network	4 850 361 149	(3 084 787 647)	1 765 573 502	4 839 673 254	(3 062 601 123)	1 777 072 131
Water network	6 548 504 119	(4 079 860 072)	2 468 644 047	6 507 714 305	(3 808 292 586)	2 699 421 719
Community buildings	2 031 806 852	(1 153 160 755)	878 646 097	2 069 800 523	(1 027 131 012)	1 042 669 511
Total	45 190 003 517	(25 938 614 745)	19 251 388 772	44 370 464 874	(24 650 149 849)	19 720 315 025

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Controlling entity

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	81 658 476	-	81 658 476	81 658 476	-	81 658 476
Plant and machinery	128 071 384	(89 859 238)	38 212 146	122 172 373	(76 610 337)	45 562 036
Furniture and fixtures	177 154 790	(120 331 065)	56 823 725	167 238 206	(100 149 005)	67 089 201
Motor vehicles	607 164 437	(279 024 454)	328 139 983	579 717 211	(221 866 165)	357 851 046
Electricity infrastructure	10 571 575 898	(7 148 107 237)	3 423 468 661	10 727 934 897	(6 886 228 033)	3 841 706 864
Other properties (halls, social housing)	1 930 389 136	(906 121 580)	1 024 267 556	1 787 510 450	(842 245 574)	945 264 876
Work in progress (WIP)	4 286 106 730	-	4 286 106 730	3 600 262 531	-	3 600 262 531
Recreational facilities	808 009 080	(565 311 278)	242 697 802	823 906 137	(511 275 393)	312 630 744
Roads	13 167 131 645	(8 511 365 720)	4 655 765 925	13 062 057 195	(8 113 238 941)	4 948 818 254
Wastewater network	4 850 361 149	(3 084 787 647)	1 765 573 502	4 839 673 254	(3 062 601 123)	1 777 072 131
Water network	6 548 504 119	(4 079 860 072)	2 468 644 047	6 507 714 305	(3 808 292 586)	2 699 421 719
Community buildings	2 031 806 852	(1 153 160 755)	878 646 097	2 069 800 523	(1 027 131 012)	1 042 669 511
Total	45 187 933 696	(25 937 929 046)	19 250 004 650	44 369 645 558	(24 649 638 169)	19 720 007 389

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2020

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land	81 658 476	-	-	-	-	81 658 476
Plant and machinery	45 562 036	5 899 012	-	-	(13 248 902)	38 212 146
Furniture and fixtures	67 161 105	11 111 024	-	-	(20 257 194)	58 014 935
Motor vehicles	357 851 046	39 616 154	(4 960 257)	-	(64 366 960)	328 139 983
IT equipment	235 732	76 241	(350)	-	(118 711)	192 912
Electricity infrastructure	3 841 706 864	92 796 472	-	(224 111 259)	(286 923 416)	3 423 468 661
Other properties (halls, social housing)	945 264 876	172 129 453	-	(17 798 123)	(75 328 650)	1 024 267 556
Work in progress (WIP)	3 600 262 531	685 844 199	-	-	-	4 286 106 730
Recreational facilities	312 630 744	3 166 830	-	(31 672 025)	(41 427 747)	242 697 802
Roads	4 948 818 254	327 040 507	-	124 805 440	(744 898 276)	4 655 765 925
Wastewater network	1 777 072 131	122 430 065	-	(18 814 564)	(115 114 130)	1 765 573 502
Water network	2 699 421 719	192 040 339	-	(179 262 624)	(243 555 387)	2 468 644 047
Community buildings	1 042 669 511	11 543 663	(1 656 510)	(74 759 993)	(99 150 574)	878 646 097
	19 720 315 025	1 663 693 959	(6 617 117)	(421 613 148)	(1 704 389 947)	19 251 388 772

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2019

	Opening balance	Additions	Disposals	WIP transfers	Transfers	Revaluations	Depreciation	Impairment loss	Total
Land	81 658 476	-	-	-	-	-	-	-	81 658 476
Plant and machinery	53 481 373	5 818 990	(4 252)	-	-	-	(13 734 075)	-	45 562 036
Furniture and fixtures	80 983 038	13 713 698	(23 216)	-	-	-	(27 512 415)	-	67 161 105
Motor vehicles	341 118 271	88 212 178	(12 757 138)	-	-	-	(58 722 265)	-	357 851 046
IT equipment	276 301	148 080	-	-	-	-	(188 649)	-	235 732
Electricity infrastructure	3 714 538 243	116 540 559	(10 559 389)	7 472 028	-	271 306 174	(255 506 857)	(2 083 894)	3 841 706 864
Other properties (halls, social housing)	905 676 456	4 456 298	(527 816)	2 056 475	699 481	87 497 577	(53 506 992)	(1 086 603)	945 264 876
Work in progress (WIP)	2 821 412 083	1 190 478 993	-	(411 628 545)	-	-	-	-	3 600 262 531
Recreational facilities	273 999 288	24 053 895	(6 955 655)	28 800	11 470 029	40 124 432	(30 061 311)	(28 734)	312 630 744
Roads	5 098 395 020	156 737 534	(15 252 222)	107 910 846	238 069 206	(116 502 844)	(520 518 889)	(20 397)	4 948 818 254
Wastewater network	1 511 703 990	54 253 250	(728 120)	242 447 332	-	63 641 819	(94 246 140)	-	1 777 072 131
Water network	2 340 186 117	87 782 254	(8 664)	39 487 877	14 564 956	394 738 664	(177 276 928)	(52 557)	2 699 421 719
Community buildings	994 596 642	11 022 100	(1 734 398)	12 225 187	15 035 945	87 505 554	(75 981 519)	-	1 042 669 511
	18 218 025 298	1 753 217 829	(48 550 870)	-	279 839 617	828 311 376	(1 307 256 040)	(3 272 185)	19 720 315 025

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Controlling entity - 2020

	Opening balance	Additions	Disposals	Revaluations	Depreciation	Total
Land	81 658 476	-	-	-	-	81 658 476
Plant and machinery	45 562 036	5 899 012	-	-	(13 248 902)	38 212 146
Furniture and fixtures	67 089 201	9 916 585	-	-	(20 182 061)	56 823 725
Motor vehicles	357 851 046	39 616 154	(4 960 257)	-	(64 366 960)	328 139 983
Electricity infrastructure	3 841 706 864	92 796 472	-	(224 111 259)	(286 923 416)	3 423 468 661
Other properties (halls, social housing)	945 264 876	172 129 453	-	(17 798 123)	(75 328 650)	1 024 267 556
Work in progress (WIP)	3 600 262 531	685 844 199	-	-	-	4 286 106 730
Recreational facilities	312 630 744	3 166 830	-	(31 672 025)	(41 427 747)	242 697 802
Roads	4 948 818 254	327 040 507	-	124 805 440	(744 898 276)	4 655 765 925
Wastewater network	1 777 072 131	122 430 065	-	(18 814 564)	(115 114 130)	1 765 573 502
Water network	2 699 421 719	192 040 339	-	(179 262 624)	(243 555 387)	2 468 644 047
Community buildings	1 042 669 511	11 543 663	(1 656 510)	(74 759 993)	(99 150 574)	878 646 097
	19 720 007 389	1 662 423 279	(6 616 767)	(421 613 148)	(1 704 196 103)	19 250 004 650

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Economic entity - 2019

	Opening balance	Additions	Disposals	WIP transfers	Transfers	Revaluations	Depreciation	Impairment loss	Total
Land	81 658 476	-	-	-	-	-	-	-	81 658 476
Plant and machinery	53 481 373	5 818 990	(4 252)	-	-	-	(13 734 075)	-	45 562 036
Furniture and fixtures	80 908 448	13 698 658	(23 216)	-	-	-	(27 494 689)	-	67 089 201
Motor vehicles	341 118 271	88 212 178	(12 757 138)	-	-	-	(58 722 265)	-	357 851 046
Electricity infrastructure	3 714 538 243	116 540 559	(10 559 389)	7 472 028	-	271 306 174	(255 506 857)	(2 083 894)	3 841 706 864
Other properties (halls, social housing)	905 676 456	4 456 298	(527 816)	2 056 475	699 481	87 497 577	(53 506 992)	(1 086 603)	945 264 876
Work in progress (WIP)	2 821 412 083	1 190 478 993	-	(411 628 545)	-	-	-	-	3 600 262 531
Recreational facilities	273 999 288	24 053 895	(6 955 655)	28 800	11 470 029	40 124 432	(30 061 311)	(28 734)	312 630 744
Roads	5 098 395 020	156 737 534	(15 252 222)	107 910 846	238 069 206	(116 502 844)	(520 518 889)	(20 397)	4 948 818 254
Wastewater network	1 511 703 990	54 253 250	(728 120)	242 447 332	-	63 641 819	(94 246 140)	-	1 777 072 131
Water network	2 340 186 117	87 782 254	(8 664)	39 487 877	14 564 956	394 738 664	(177 276 928)	(52 557)	2 699 421 719
Community buildings	994 596 642	11 022 100	(1 734 398)	12 225 187	15 035 945	87 505 554	(75 981 519)	-	1 042 669 511
	18 217 674 407	1 753 054 709	(48 550 870)	-	279 839 617	828 311 376	(1 307 049 665)	(3 272 185)	19 720 007 389

Proceeds on disposal of PPE

Carrying value of PPE	6 617 117	48 550 870	6 616 768	48 550 870
Net gain/(loss) on disposal of assets	(6 567 862)	(39 357 059)	(6 616 768)	(39 359 422)
	49 255	9 193 811	-	9 191 448

There are properties for which title deeds are registered under the name of the Municipality but have not been included in the Municipality's financial records. These properties are represented by RDP land, ex Ciskei and other land parcels, vacant and improved. It should furthermore be noted that management is of the view that the inclusion of these properties in the Annual Financial Statements could result in a misrepresentation of the financial information for users of the Annual Financial Statements.

Expenditure relating to property, plant and equipment is disclosed under repairs and maintenance note 43.

Refer to note 50 for committed expenditure.

Transfers refer to the assets that have been received from other neighboring Municipalities as a result of redetermination of Municipal boundaries in terms of the Municipal Demarcation Act).

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand

4. Property, plant and equipment (continued)

The values were determined as 30 June 2020 by an external Professional Valuer registered with the South African Council for the Property Valuers Profession, Registration No. 4973/1. Revaluation methodology is available at BCMM.

There are also no assets that are owned by the City which are held under the service concession agreements, surity arrangements and/or under finance lease where the City is the lessor.

The following property plant and equipment is in the process of being constructed or developed and is disclosed as part of work-in-progress. Work-in-progress comprises of the following classes of infrastructure.

WIP Categories

	2020	2019	2020	2019
Buildings	169 355 548	108 265 055	169 355 548	108 265 055
Community facilities	279 257 488	210 502 561	279 257 488	210 502 561
Electricity	366 814 216	303 872 905	366 814 216	303 872 905
Other assets	722 871 849	571 826 827	722 871 849	571 826 827
Roads	1 890 309 051	1 465 628 338	1 890 309 051	1 465 628 338
Sanitation	646 043 864	473 770 425	646 043 864	473 770 425
Water supply	696 902 581	608 078 516	696 902 581	608 078 516
	4 771 554 597	3 741 944 627	4 771 554 597	3 741 944 627

The carrying values of all the projects that are taking significantly longer to complete as shown above are included in PPE Note 4 and under WIP. There has been no impairment loss that has been incurred by the City.

Contract	Delay period	Reasons
BCMM/COO/HM/1328/2013	48 months	Contractor terminated
BCC/DES/COO/HM/1110/2010	48 months	Contractor terminated
BCMM/COO/HM/1372	37 months	Beneficiary administration delays and VO's
BCMM/COO/HM/1373	42 months	Beneficiary administration delays and VO's
MICROWAVE LINK	18 months	Lack of funds
BCMM/COO/HM/1300/2013	50 months	Beneficiary delays and approvals
BCMM/COO/HM/1315/2013	42 months	Invasions and community protests

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand

5. Intangible assets

Economic entity

	2020		2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment
Software	38 811 568	(23 836 785)	14 974 783	38 406 827	(18 503 586)
			19 903 241		

Controlling entity

	2020		2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment
Software	34 796 776	(21 233 349)	13 563 427	34 796 776	(16 693 717)
			18 103 059		

Reconciliation of intangible assets - Economic entity - 2020

	Opening balance	Additions	Amortisation	Impairment loss	Total
Software	19 903 241	404 741	(5 281 668)	(51 531)	14 974 783

Reconciliation of intangible assets - Economic entity - 2019

	Opening balance	Additions	Amortisation	Impairment loss	Total
Software	23 863 353	1 578 425	(5 520 000)	(18 537)	19 903 241

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand

5. Intangible assets (continued)

Reconciliation of intangible assets - Controlling entity - 2020

	Opening balance	Amortisation	Total
Software	18 103 059	(4 539 632)	13 563 427

Reconciliation of intangible assets - Economic entity - 2019

	Opening balance	Amortisation	Total
Software	22 642 433	(4 539 374)	18 103 059

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand

6. Heritage assets

Economic entity

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Monuments	7 398 532	-	7 398 532	7 398 532	-	7 398 532
Memorials	2 866 049	-	2 866 049	2 866 049	-	2 866 049
Historical buildings & sites	22 198 433	-	22 198 433	22 198 433	-	22 198 433
Other Heritage sites	18 050 426	-	18 050 426	18 050 426	-	18 050 426
Total	50 513 440	-	50 513 440	50 513 440	-	50 513 440

Controlling entity

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Monuments	7 398 532	-	7 398 532	7 398 532	-	7 398 532
Memorials	2 866 049	-	2 866 049	2 866 049	-	2 866 049
Historical buildings & sites	22 198 433	-	22 198 433	22 198 433	-	22 198 433
Other Heritage sites	18 050 426	-	18 050 426	18 050 426	-	18 050 426
Total	50 513 440	-	50 513 440	50 513 440	-	50 513 440

Reconciliation of heritage assets Economic entity - 2020

	Opening balance	Total
Monuments	7 398 532	7 398 532
Memorials	2 866 049	2 866 049
Historical buildings & sites	22 198 433	22 198 433
Other Heritage sites	18 050 426	18 050 426
	50 513 440	50 513 440

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand

6. Heritage assets (continued)

Reconciliation of heritage assets Economic entity - 2019

	Opening balance	Additions	Total
Monuments	6 664 967	733 565	7 398 532
Memorials	2 866 049	-	2 866 049
Historical buildings & sites	22 198 433	-	22 198 433
Other Heritage sites	18 050 426	-	18 050 426
	49 779 875	733 565	50 513 440

Reconciliation of heritage assets Controlling entity - 2020

	Opening balance	Total
Monuments	7 398 532	7 398 532
Memorials	2 866 049	2 866 049
Historical buildings & sites	22 198 433	22 198 433
Other Heritage sites	18 050 426	18 050 426
	50 513 440	50 513 440

Reconciliation of heritage assets Economic entity - 2019

	Opening balance	Additions	Total
Monuments	6 664 967	733 565	7 398 532
Memorials	2 866 049	-	2 866 049
Historical buildings & sites	22 198 433	-	22 198 433
Other Heritage sites	18 050 426	-	18 050 426
	49 779 875	733 565	50 513 440

Where practical, heritage assets were valued on the replacement value method and retrospectively restated on 01 July 2012 in accordance with the transitional provision applicable to GRAP 103. However, due to the nature of certain heritage assets, it is not possible or practical to establish a fair value associated with these assets and have been recognised in accordance with GRAP 103.99.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand

6. Heritage assets (continued)

Heritage assets are reviewed annually for impairment. Some of the items carried at R1 had physical damages.

None of the City's Heritage assets are restricted and or pledged as a security.

The 2019 additions in the Heritage assets are as a result of a newly constructed statue of Dr WB Rubusana that is erected in front of the City Hall.

7. Investments in associates

Name of entity	Carrying amount 2020	Carrying amount 2019	Carrying amount 2020	Carrying amount 2019
BCMM share in IDZ - 26,000 shares @ 0,01c included in the carrying amount (Unlisted)	702 798 644	597 392 286	702 798 644	597 392 286
% holding	26%	26%	26%	26%

The carrying amounts of associates are shown net of impairment losses.

Movements in carrying value

Opening balance	597 392 286	567 924 996	597 392 286	567 924 996
Share of surplus/deficit	105 406 358	29 467 290	105 406 358	29 467 290
	702 798 644	597 392 286	702 798 644	597 392 286

Investment in associate at 30 June 2020 amounted to R 702 798 644 (2019: R 597 392 286).

Fair value

Management could not make a reliable estimate of the fair value of the associate as the information to determine the fair value is not readily available. Management however believes that the face value approximates the fair value of the shares.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

7. Investments in associates (continued)

Principal activities, country of incorporation and voting power

Legal name	Principal activity	Country of incorporation	Proportion of voting power
East London Industrial Development Zone (Pty)Ltd	Development of East London's Industrial Development Zone.	SA	26%

Summary of controlled entity's interest in associate

Total assets	860 068 172	910 101 125
Total liabilities	(157 269 268)	(312 708 580)
Total equity	702 798 644	597 392 286
Share in surplus for the year	105 406 358	29 467 290
Surplus - Opening balance	597 392 286	567 924 997

Associates with different reporting dates

The financial statements of East London Industrial Development Zone (Proprietary) Limited have a different year end to BCMM and ELIDZ statements are prepared for the accounting period 01 April 2019 to 31 March 2020.

Per Accounting Policy 1.8, the entity uses the most recent available financial statement of the associate in applying the equity method. The amounts reflected above are for the period 01 April 2019 - 31 March 2020.

8. Operating lease liability

Current liabilities	(51 545)	-	-	-
---------------------	----------	---	---	---

The Agency entered lease agreements for its two multifunctional printers and office space. GRAP 13 requires straightlining of lease payments over the duration of the lease term. The lease for the office space has an escalating clause of 7% per annum. The above lease accrual is therefore as a result of adhering with the standard.

9. Employee benefit obligations

The amounts recognised in the statement of financial position are as follows:

Carrying value

Balance at the beginning of the year	728 815 087	733 154 631	728 815 087	733 154 631
Interest cost	63 553 801	66 226 017	63 553 801	66 226 017
Current service cost	43 491 390	45 500 660	43 491 390	45 500 660
Actual employer benefit payments	(47 430 169)	(44 327 240)	(47 430 169)	(44 327 240)
Actuarial gain recognised in the year	(103 613 109)	(71 738 981)	(103 613 109)	(71 738 981)
	684 817 000	728 815 087	684 817 000	728 815 087
Non-current liabilities	(633 835 000)	(679 562 697)	(633 835 000)	(679 562 697)
Current liabilities	(50 982 000)	(49 252 390)	(50 982 000)	(49 252 390)
Net liability	(684 817 000)	(728 815 087)	(684 817 000)	(728 815 087)

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

9. Employee benefit obligations (continued)

Net costs

Interest cost	63 553 801	66 226 017	63 553 801	66 226 017
Current service cost	43 491 390	45 500 660	43 491 390	45 500 660
Actuarial gains recognised in the year	(103 613 109)	(71 738 981)	(103 613 109)	(71 738 981)
Employer benefits vesting	(28 081 564)	(25 020 537)	(28 081 564)	(25 020 537)
Net costs per Statement of Financial Performance	(24 649 482)	14 967 159	(24 649 482)	14 967 159

Post retirement medical contribution amounts recognised in the statement of financial position

Balance at the beginning of the year	511 868 575	537 974 627	511 868 575	537 974 627
Interest costs	47 118 811	50 673 684	47 118 811	50 673 684
Current service cost	20 993 590	25 123 633	20 993 590	25 123 633
Actual employer benefit payments	(19 348 605)	(19 306 703)	(19 348 605)	(19 306 703)
Actuarial gain recognised in the year	(105 801 371)	(82 596 666)	(105 801 371)	(82 596 666)
Net costs per Statement of Financial Performance	454 831 000	511 868 575	454 831 000	511 868 575

Post retirement medical contribution - Net cost

Interest costs	47 118 811	50 673 684	47 118 811	50 673 684
Current service cost	20 993 590	25 123 633	20 993 590	25 123 633
Actuarial gains recognised in the year	(105 801 371)	(82 596 666)	(105 801 371)	(82 596 666)
	(37 688 970)	(6 799 349)	(37 688 970)	(6 799 349)

The best estimates for the employer benefit payments in the 2020/21 financial period is expected to be R20 362 000 (The actual employer benefit payments in the 2019/20 financial period was R19 348 605).

The entity employees contribute to 5 accredited medical aid schemes, namely LA Health, Bonitas, Key Health, SAMWU Med and Hosmed. Pensioners continue on the option they belonged to on the day of their retirement.

The obligation in respect of the medical care contributions for retirement benefits is valued every year by independent qualified actuaries. The last actuarial valuation was prepared in August 2020 by ARCH Actuarial Consulting using the Projected Unit Credit Method.

The entity opted not to recognise the actuarial loss applying the "Corridor" method.

The employer's post-employment health care liability consists of a commitment to pay a portion of the pensioners' post-employment medical scheme contributions. The liability is also generated in respect of dependents who are offered continued membership of the medical scheme on the death of the primary member.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*
9. Employee benefit obligations (continued)				
Key assumptions used				
Assumptions used at the reporting date:				
Discount rate	10.37 %	9.39 %	10.37 %	9.39 %
Health care cost inflation rate	6.44 %	6.86 %	6.44 %	6.86 %
Net-of-health-care-cost-inflation discount rate	3.69 %	2.37 %	3.69 %	2.37 %
Maximum subsidy inflation rate	4.46 %	4.77 %	4.46 %	4.77 %
Net-of-maximum-subsidy-inflation discount rate	5.66 %	4.41 %	5.66 %	4.41 %
Average retirement age	62	62	6	6
Continuation of membership at retirement	75.00	75.00	75.0	75.0
Proportion with a spouse dependent at retirement	60.00	60.00	60.0	60.00
Mortality during employment	SA 85-90	SA 85-90	SA 85-90	SA 85-90
Mortality post-employment	PA(90) -1 with a 1% mortality improvement p.a. from 2010	PA(90) -1 with a 1% mortality improvement p.a. from 2010	PA(90) -1 with a 1% mortality improvement p.a. from 2010	PA(90) -1 with a 1% mortality improvement p.a. from 2010
In-service members				
Number of in-service members	3 673	3 422	3 673	3 422
Average age	44.9	44.6	44.9	44.6
Average past service	11.6	11.8	11.6	11.8
Average present value of post-employment subsidy p.m.	R 1 599	R 1 501	R 1 599	R 1 501
Average current value of post-employment subsidy p.m.	R 2 411	R 2 264	R 2 411	R 2 264
Continuation members				
Number of principal members	503	529	503	529
Proportion with a spouse dependent	0.39	0.41	0.39	0.41
Average age of members	72.2	71.7	72.2	71.7
Average subsidy per month	R 3 268	R 3 138	R 3 268	R 3 138

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

9. Employee benefit obligations (continued)

Sensitivity Results

The liability at the Valuation Date was recalculated to show the effect of:

- A 1% increase and decrease in the assumed rate of health care cost inflation;
- A 1% increase and decrease in the discount rate;
- A one-year age reduction in the assumed rates of post-employment mortality;
- A one-year decrease in the assumed average retirement age; and
- A 10% decrease in the assumed proportion of in-service members that continue to receive the subsidy after retirement.

Assumption	Change	In-service members	Continuation members	Total	% change
Central assumptions		253.258	201.573	454.831	
Health care inflation rate	+1%	282.214	215.574	497.788	9
	-1%	221.780	187.781	409.561	-10
Discount rate	+1%	215.624	186.695	402.319	-12
	-1%	300.791	218.821	519.612	14
Post-employment mortality	+1 yr	247.153	194.684	441.837	-3
	-1 yr	259.246	208.492	467.738	3
Average retirement age	-1 yr	280.208	201.573	481.781	6
Continuation of membership at retirement	-10%	219.492	201.573	421.065	-7

The post-employment mortality adjustment assumes that someone aged 70 will experience the mortality of someone aged 69. The liability is expected to increase under this scenario because members are expected to live longer.

The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 9% higher than that shown.

The table below summarises the results of this analysis on the Current-Service and Interest Costs for the year ending 30 June 2020.

Assumption	Change	Current service cost	Interest Cost	Total	% change
Central assumptions		20 993 600	47 118 800	68 112 400	
Health care inflation rate	+1%	23 715 200	51 709 200	75 424 400	+11
	-1%	17 834 100	42 126 100	59 960 200	-12
Discount rate	+1%	17 315 000	45 482 200	62 797 200	-8
	-1%	25 791 000	48 831 100	74 622 100	+10
Post-employment mortality	-1 yr	21 559 400	48 626 200	70 185 600	+3
Average retirement age	-1 yr	22 259 600	49 750 900	72 010 500	+6
Continuation of membership at retirement	-10%	18 194 500	43 649 200	61 843 700	-9

These figures were derived at the last valuation and were presented in that report.

The table below summarises the results of this analysis on the Current-Service and Interest Costs for the year ending 30 June 2021.

Assumption	Change	Current service cost	Interest Cost	Total	% change
Central assumptions		20 993 600	47 118 800	68 112 400	
Health care inflation rate	+1%	23 715 200	51 709 200	75 424 400	+11
	-1%	17 834 100	42 126 100	59 960 200	-12
Discount rate	+1%	17 315 000	45 482 200	62 797 200	-8
	-1%	25 791 000	48 831 100	74 622 100	+10
Post-employment mortality	-1 yr	21 559 400	48 626 200	70 185 600	+3
Average retirement age	-1 yr	22 259 600	49 750 900	72 010 500	+6
Continuation of membership at retirement	-10%	18 194 500	43 649 200	61 843 700	-9

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

9. Employee benefit obligations (continued)

History of Liabilities, Assets and Experience Adjustments

The table below summarises the accrued liabilities and the plan assets for the current period and previous periods.

Liability history	30/06/2016	30/06/2017	30/06/2018	30/06/2019	30/06/2020
Accrued liability	505.116	527.298	537.975	511.869	454.831
Fair value of plan asset	0.000	0.000	0.000	0.000	0.000
(Deficit)	(505.116)	(527.298)	(537.975)	(511.869)	(454.831)

The table below summarises the experience adjustments for the current period and the previous four periods. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has actually occurred.

Experience adjustments	Year ending 30/06/2016	Year ending 30/06/2017	Year ending 30/06/2018	Year ending 30/06/2019	Year ending 30/06/2020
Liabilities: (Gain) / Loss	(11.690)	26.366	(1.794)	(3.964)	(12.365)
Assets: Gain / (Loss)	0.000	0.000	0.000	0.000	0.000

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

9. Employee benefit obligations (continued)

Long service awards amounts recognised in the statement of financial position

Balance at the beginning of the year	216 946 512	195 180 004	216 946 512	195 180 004
Interest cost	16 434 990	15 552 333	16 434 990	15 552 333
Current service cost	22 497 800	20 377 027	22 497 800	20 377 027
Actual employer benefit payments	(28 081 564)	(25 020 537)	(28 081 564)	(25 020 537)
Actuarial gain recognised in the year	2 188 262	10 857 685	2 188 262	10 857 685
	229 986 000	216 946 512	229 986 000	216 946 512

Long service awards - Net cost

Interest costs	16 434 990	15 552 333	16 434 990	15 552 333
Current service cost	22 497 800	20 377 027	22 497 800	20 377 027
Actuarial losses recognised in the year	2 188 262	10 857 685	2 188 262	10 857 685
Employer benefits vesting	(28 081 564)	(25 020 537)	(28 081 564)	(25 020 537)
	13 039 488	21 766 508	13 039 488	21 766 508

Key assumptions used

The table below summarises the key financial assumptions used for the liabilities at the Valuation Date and the expense figures for the ensuing year.

The earnings used in the valuation include an increase on 1 July 2020 of 6.25% as per the SALGBC Circular No.: 02/2020. The next general earnings increase was assumed to take place on 1 July 2021.

Assumptions used at the reporting date:

Discount rate	7.79 %	8.10 %	7.79 %	8.10 %
General earnings inflation rate (long-term)	3.83 %	5.53 %	3.83 %	5.53 %
Net effective discount rate	3.81	2.44	3.81 %	2.44 %
Average retirement age	62	62	62	62
Pre-retirement mortality	SA85-90	SA85-90	SA85-90	SA85-90

Sensitivity analysis

The liability at the Valuation Date was recalculated to show the effect of:

- (i) A 1% increase and decrease in the assumed general earnings inflation rate;
- (ii) A 1% increase and decrease in the discount rate;
- (iii) A two-year increase and decrease in the assumed average retirement age of eligible employees; and
- (iv) A two-fold increase and a 50% decrease in the assumed rates of withdrawal from service.

The table above indicates, for example, that if earnings inflation is 1% greater than the long-term assumption made, the liability will be 5% higher.

Assumption	Change	Liability	% change
Central assumptions		229 986 000	
General earnings inflation rate	+1%	242 131 000	5%
	-1%	218 888 000	-5%
Discount rate	+1%	217 370 000	-5%
	-1%	244 060 000	6%
Average retirement age	+2 yrs	252 687 000	10%
	-2 yrs	206 181 000	-10%
Withdrawal rates	x2	187 362 000	-19%
	x0.5	258 672 000	12%

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

9. Employee benefit obligations (continued)

The table below summarises the results of this analysis on the Current-Service and Interest Costs for the year ending 30 June 2020.

Assumption	Change	Current-Svc. Cost	Interest Cost	Total	% change
Central assumptions		22 497 800	16 435 000	38 932 800	
General earnings inflation rate	+1%	24 177 200	17 507 700	41 684 900	7%
	-1%	20 989 100	15 459 300	36 448 400	-6%
Discount rate	+1%	21 020 300	17 245 200	38 265 500	-2%
	-1%	24 170 400	15 472 600	39 643 000	2%
Average retirement age	+2 yrs	24 312 000	18 198 800	42 510 800	9%
	-2 yrs	20 575 200	14 606 100	35 181 300	-10%
Withdrawal rates	x0.5	26 736 900	18 796 200	45 533 100	17%

The table summarises the results of this analysis on the Current-Service and Interest Costs for the year ending 30 June 2021.

Assumption	Change	Current-Svc. Cost	Interest Cost	Total	% change
Central assumptions		21 513 000	16 746 000	38 259 000	
General earnings inflation rate	+1%	22 916 000	17 692 000	40 608 000	6%
	-1%	20 243 000	15 881 000	36 124 000	-6%
Discount rate	+1%	20 084 000	17 789 000	37 873 000	-1%
	-1%	23 119 000	15 549 000	38 668 000	1%
Average retirement age	+2 yrs	23 213 000	18 489 000	41 702 000	9%
	-2 yrs	19 701 000	14 918 000	34 619 000	-10%
	x2	16 242 000	13 445 000	29 687 000	-22%
Withdrawal rates	x0.5	25 271 000	18 971 000	44 242 000	16%

History of Liabilities, Assets and Experience Adjustments

The table below summarises the accrued liabilities and the plan assets for the current period and the previous two periods.

Liability history	30/06/2018	30/06/2019	30/06/2020
Accrued liability	195.180	216.947	229.986
Fair value of plan asset	0.000	0.000	0.000
(Deficit)	(195.180)	(216.947)	(229.986)

The table below summarises the experience adjustments for the current and previous period. Experience adjustments are the effects of differences between the previous actuarial assumptions and what has occurred.

Experience adjustments	Year ending 30/06/2019	Year ending 30/06/2020
Liabilities: (Gain) / Loss	12 628 230	18 797 262
Assets: Gain / (Loss)	0	0

Defined contribution plan - BCMDA

It is the policy of the entity to provide retirement benefits to all its employees. BCMDA has during the financial year made contributions to a Defined Contribution Plan, wherein the fixed contributions are paid on a monthly basis. The entity is under no obligation to cover any unfunded benefits. Kindly refer to note 16 for the amount paid to the fund.

The amount recognised as an expense for defined contribution plans is	1 590 464	1 331 365	-	-
---	-----------	-----------	---	---

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019 Restated*	2020	2019 Restated*
10. Inventories				
Electricity store (Electrical maintenance parts)	11 695 718	10 136 210	11 695 718	10 136 210
Workshop store (Mechanical maintenance parts)	217 946	248 446	217 946	248 446
Water store (Water maintenance parts)	882 100	3 219 126	882 100	3 219 126
Unsold water (Treated water in pipelines & reservoirs)	13 953 595	14 842 491	13 953 595	14 842 491
General stores (Chiselhurst, Mdantsane, KWT)	10 629 516	9 367 833	10 568 810	9 332 415
	37 378 875	37 814 106	37 318 169	37 778 688
Inventories (write-downs)	(4 546 556)	(3 375 378)	(4 546 556)	(3 375 378)
	32 832 319	34 438 728	32 771 613	34 403 310

Carrying value of stock is disclosed at the lower of cost and net realisable value.

The inventories (write-downs) amount is in respect of obsolete stock and not due to a change in accounting policy.

Inventory write-downs is included under note 42: General Expenses - Other expenses.

Inventory pledged as security

No inventory was pledged as security.

11. Receivables from exchange transactions - BCMDA

Deposits	-	44 713	-	-
Project Management Fee Receivable	59 801	302 322	-	-
Sundry Debtors	909	-	-	-
	60 710	347 035	-	-

Receivables from exchange transactions are made up of Project management fees of R485 922 in relation of Water World and Court Crescent projects. Further there are BCMM Receivables of R5 million relating to invoices billed to the BCMM based on invoices received from contractors on both Water World and Court Crescent. Both the project management fees and BCMM receivables were subsequently paid by the BCMM. In the comparatives there is an amount of R44 713, which was a deposit due to Agency when the EL IDZ premises are vacated. The Agency vacated EL IDZ premises in February 2020, this deposit was however not released by EL IDZ, instead the Agency is still in discussions of the amounts due to IDZ in relation to restoring the condition of the property to the state it was when the lease commenced. A provision has been raised in this regard as the amount and timing of settlement is still uncertain. The provision has been reduced by the R44 713 that was due to the Agency.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*
12. Receivables from non-exchange transactions				
Traffic fines	37 717 537	38 750 259	37 717 537	38 750 259
Other receivables (billing)	213 112 322	199 998 880	213 112 322	199 998 880
Other debtors	31 388 184	44 904 473	31 388 184	44 904 473
Property rates	803 650 105	603 208 872	803 650 105	603 208 872
Allowance for impairment property rates and other receivables billing	(562 194 756)	(466 300 929)	(562 194 756)	(466 300 929)
	523 673 392	420 561 555	523 673 392	420 561 555
Property rates age analysis				
Current (0-30 days)	108 309 076	107 643 758	108 309 076	107 643 758
31-60 days	54 779 009	35 006 196	54 779 009	35 006 196
61-90 days	40 752 682	22 867 998	40 752 682	22 867 998
91-120 days	30 739 243	18 697 787	30 739 243	18 697 787
121- 365 days	170 832 592	121 085 395	170 832 592	121 085 395
>365 days	398 237 503	297 907 738	398 237 503	297 907 738
	803 650 105	603 208 872	803 650 105	603 208 872
Other receivables (billing) age analysis				
Current (0-30 days)	7 141 117	30 597 961	7 141 117	30 597 961
31-60 days	5 169 994	4 381 103	5 169 994	4 381 103
61-90 days	3 547 053	3 205 243	3 547 053	3 205 243
91-120 days	4 169 041	3 249 982	4 169 041	3 249 982
121- 365 days	32 611 391	24 284 553	32 611 391	24 284 553
>365 days	160 473 726	134 280 038	160 473 726	134 280 038
	213 112 322	199 998 880	213 112 322	199 998 880
Less: Allowance for Impairment - Property rates and other receivables				
Current (0-30 days)	(111 452 121)	(91 815 344)	(111 452 121)	(91 815 344)
31-60 days	(29 296 751)	(21 748 495)	(29 296 751)	(21 748 495)
61-90 days	(26 913 393)	(13 954 990)	(26 913 393)	(13 954 990)
91-120 days	(25 572 858)	(11 609 988)	(25 572 858)	(11 609 988)
121- 365 days	(98 867 986)	(74 494 235)	(98 867 986)	(74 494 235)
>365 days	(270 091 647)	(252 677 877)	(270 091 647)	(252 677 877)
	(562 194 756)	(466 300 929)	(562 194 756)	(466 300 929)
Traffic Fines				
Opening Balance - Total Outstanding Fines (Based on prior 3 years)	168 479 390	111 584 781	168 479 390	111 584 781
Less: Outstanding Fines in respect of prior third year	(46 125 724)	(14 877 599)	(46 125 724)	(14 877 599)
Total Traffic Fines Issued BCMM	82 052 650	90 874 420	82 052 650	90 874 420
Traffic Fines withdrawn, untraceable and uncollectable	(4 005 500)	(5 376 243)	(4 005 500)	(5 376 243)
Traffic Fines Paid	(11 813 128)	(13 725 969)	(11 813 128)	(13 725 969)
Total Outstanding Fines	188 587 689	168 479 390	188 587 689	168 479 390
Impairment (Based on a probability collection factor of approx. 20% - 2020 and 23% - 2019)	(150 870 151)	(129 729 131)	(150 870 151)	(129 729 131)
Traffic Fines Debtor	37 717 538	38 750 259	37 717 538	38 750 259

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

12. Receivables from non-exchange transactions (continued)

Trade and other receivables from non-exchange transactions pledged as security

No portion of accounts receivable was pledged as security for any financial liabilities.

No security is held for any accounts receivable.

These accounts best represent the maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or other credit enhancements.

Credit quality of receivables from non-exchange transactions

The credit quality of trade and other receivables from non-exchange transactions that are neither past nor due nor impaired can be assessed by reference to external credit ratings.

Although credit quality can be assessed the entity did not apply any methods to evaluate the credit quality.

Trade and other receivables from non-exchange transactions impaired

As of 30 June 2020, other receivables from non-exchange transactions of R (562 194 754) (2019: R (466 300 928)) were impaired and provided for.

Amounts totaling R80 389 090 (2019: R32 529 605) were written off as uncollectable against the debt impairment allowance account. This represents 1% (2019: 0.43%) of the total operating income for the year.

Reconciliation of allowance for impairment of trade and other receivables from non-exchange transactions

Opening balance	(466 300 928)	(402 368 696)	(466 300 928)	(402 368 696)
Allowance for impairment	(176 282 916)	(96 461 837)	(176 282 916)	(96 461 837)
Amounts written off as uncollectable	80 389 090	32 529 605	80 389 090	32 529 605
	(562 194 754)	(466 300 928)	(562 194 754)	(466 300 928)

The creation and release of provision for impaired receivables have been included in operating expenses in surplus or deficit (note 39). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

These amounts best represent the maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or credit enhancements.

13. VAT receivable

VAT	103 030 375	171 832 937	102 532 309	171 526 611
-----	-------------	-------------	-------------	-------------

The above VAT receivable amount is the net amount of total VAT input R5 366 747 258 (June 2019: R4 741 841 687) less total VAT output R5 264 214 949 (June 2019: R4 570 315 076).

The entity is registered on the payment basis. VAT is declared to SARS on receipt of payments from customers and claimed once payment is made to suppliers.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019 Restated*	2020	2019 Restated*
14. Receivables from exchange transactions				
Gross balances				
Electricity	461 114 461	400 276 820	461 114 461	400 276 820
Water	857 605 152	534 142 234	857 605 152	534 142 234
Waste water	288 580 513	268 153 608	288 580 513	268 153 608
Refuse	400 011 799	345 587 165	400 011 799	345 587 165
Accrued income	333 754 455	394 216 968	333 754 455	394 216 968
	2 341 066 380	1 942 376 795	2 341 066 380	1 942 376 795
Less: Allowance for impairment				
Electricity	(236 181 249)	(227 083 181)	(236 181 249)	(227 083 181)
Water	(370 340 163)	(293 573 091)	(370 340 163)	(293 573 091)
Waste water	(209 182 376)	(149 152 868)	(209 182 376)	(149 152 868)
Refuse	(259 706 395)	(174 055 987)	(259 706 395)	(174 055 987)
	(1 075 410 183)	(843 865 127)	(1 075 410 183)	(843 865 127)
Net balance				
Electricity	224 933 212	173 193 639	224 933 212	173 193 639
Water	487 264 989	240 569 143	487 264 989	240 569 143
Waste water	79 398 137	119 000 740	79 398 137	119 000 740
Refuse	140 305 404	171 531 178	140 305 404	171 531 178
Accrued income	333 754 455	394 216 968	333 754 455	394 216 968
	1 265 656 197	1 098 511 668	1 265 656 197	1 098 511 668
Electricity				
Current (0 -30 days)	179 805 660	200 612 062	179 805 660	200 612 062
31 - 60 days	22 110 167	23 782 089	22 110 167	23 782 089
61 - 90 days	18 504 453	11 802 765	18 504 453	11 802 765
91 - 120 days	29 883 616	7 728 571	29 883 616	7 728 571
121 - 365 days	75 191 826	47 768 515	75 191 826	47 768 515
> 365 days	135 618 739	108 582 818	135 618 739	108 582 818
	461 114 461	400 276 820	461 114 461	400 276 820
Water				
Current (0 -30 days)	229 187 557	141 161 929	229 187 557	141 161 929
31 - 60 days	47 885 775	20 549 823	47 885 775	20 549 823
61 - 90 days	62 372 858	15 839 497	62 372 858	15 839 497
91 - 120 days	55 725 776	14 708 088	55 725 776	14 708 088
121 - 365 days	152 237 491	84 474 331	152 237 491	84 474 331
> 365 days	310 195 695	257 408 566	310 195 695	257 408 566
	857 605 152	534 142 234	857 605 152	534 142 234
Sewerage				
Current (0 -30 days)	20 576 714	25 591 286	20 576 714	25 591 286
31 - 60 days	15 590 282	11 425 054	15 590 282	11 425 054
61 - 90 days	10 243 608	7 100 531	10 243 608	7 100 531
91 - 120 days	8 755 474	5 698 915	8 755 474	5 698 915
121 - 365 days	49 042 546	39 016 107	49 042 546	39 016 107
> 365 days	184 371 889	179 321 715	184 371 889	179 321 715
	288 580 513	268 153 608	288 580 513	268 153 608

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

14. Receivables from exchange transactions (continued)

Refuse

Current (0 -30 days)	54 487 879	19 536 864	54 487 879	19 536 864
31 - 60 days	12 053 851	9 962 879	12 053 851	9 962 879
61 - 90 days	9 348 188	6 626 293	9 348 188	6 626 293
91 - 120 days	8 284 867	6 025 949	8 284 867	6 025 949
121 - 365 days	51 901 296	43 390 322	51 901 296	43 390 322
> 365 days	263 935 718	260 044 858	263 935 718	260 044 858
	400 011 799	345 587 165	400 011 799	345 587 165

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*
14. Receivables from exchange transactions (continued)				
Summary of debtors by customer classification: (This refers to the total debtor classification including exchange and non-exchange transactions as per billing system i.e. this includes rates and other billing receivables)				
Consumers				
Current (0 -30 days)	334 417 746	140 836 633	334 417 746	140 836 633
31 - 60 days	97 658 004	67 246 059	97 658 004	67 246 059
61 - 90 days	98 808 642	46 035 863	98 808 642	46 035 863
91 - 120 days	95 167 123	42 395 144	95 167 123	42 395 144
121 - 365 days	391 328 853	287 120 965	391 328 853	287 120 965
> 365 days	1 208 659 648	959 419 530	1 208 659 648	959 419 530
	2 226 040 016	1 543 054 194	2 226 040 016	1 543 054 194
Less: Allowance for impairment	(1 230 570 107)	(958 632 828)	(1 230 570 107)	(958 632 828)
	995 469 909	584 421 366	995 469 909	584 421 366
Industrial/ commercial				
Current (0 -30 days)	234 056 190	288 447 358	234 056 190	288 447 358
31 - 60 days	51 898 460	32 149 097	51 898 460	32 149 097
61 - 90 days	39 680 025	18 023 569	39 680 025	18 023 569
91 - 120 days	39 223 712	13 014 398	39 223 712	13 014 398
121 - 365 days	133 381 379	68 751 888	133 381 379	68 751 888
> 365 days	237 970 119	145 455 800	237 970 119	145 455 800
	736 209 885	565 842 110	736 209 885	565 842 110
Less: Allowance for impairment	(406 981 847)	(351 533 228)	(406 981 847)	(351 533 228)
	329 228 038	214 308 882	329 228 038	214 308 882
National and provincial government				
Current (0 -30 days)	31 034 068	19 892 920	31 034 068	19 892 920
31 - 60 days	8 032 613	5 711 987	8 032 613	5 711 987
61 - 90 days	6 280 175	3 382 896	6 280 175	3 382 896
91 - 120 days	3 167 182	699 751	3 167 182	699 751
121 - 365 days	7 106 911	4 146 371	7 106 911	4 146 371
> 365 days	6 203 501	5 464 301	6 203 501	5 464 301
	61 824 450	39 298 226	61 824 450	39 298 226
Total				
Current (0 -30 days)	599 508 004	449 176 911	599 508 004	449 176 911
31 - 60 days	157 589 077	105 107 143	157 589 077	105 107 143
61 - 90 days	144 768 841	67 442 327	144 768 841	67 442 327
91 - 120 days	137 558 017	56 109 293	137 558 017	56 109 293
121 - 365 days	531 817 143	360 019 224	531 817 143	360 019 224
> 365 days	1 452 833 268	1 110 339 631	1 452 833 268	1 110 339 631
	3 024 074 350	2 148 194 529	3 024 074 350	2 148 194 529
Less: Allowance for impairment	(1 637 551 954)	(1 310 166 056)	(1 637 551 954)	(1 310 166 056)
	1 386 522 396	838 028 473	1 386 522 396	838 028 473
Less: Allowance for impairment				
Current (0 -30 days)	(324 636 695)	(273 949 278)	(324 636 695)	(273 949 278)
31 - 60 days	(85 335 303)	(64 103 977)	(85 335 303)	(64 103 977)
61 - 90 days	(78 393 079)	(41 132 517)	(78 393 079)	(41 132 517)
91 - 120 days	(74 488 380)	(34 220 593)	(74 488 380)	(34 220 593)
121 - 365 days	(287 981 743)	(219 572 743)	(287 981 743)	(219 572 743)

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019 Restated*	2020	2019 Restated*
14. Receivables from exchange transactions (continued)				
> 365 days	(786 716 754)	(677 186 948)	(786 716 754)	(677 186 948)
	(1 637 551 954)	(1 310 166 056)	(1 637 551 954)	(1 310 166 056)
Total debtor past due but not impaired				
Current (0 -30 days)	101 550 525	87 877 561	101 550 525	87 877 561

Consumer debtors pledged as security

No portion of accounts receivable was pledged as security for any financial liabilities.

No security is held for any of the accounts receivable.

Credit quality of consumer debtors

The credit quality of consumer debtors that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates. Although credit quality can be assessed the entity did not apply any methods to evaluate the credit quality.

Consumer debtors impaired

As of 30 June 2020, consumer debtors of R (1 075 410 183) (2019: R (843 865 127)) were impaired and provided for.

Amounts totaling R194 013 545 as of June 30, 2020 (2019: R166 128 917) were written off as uncollectable against the debt impairment allowance account. This represents 0.025% (2019: 0.022%) of the total operating income for the year.

Reconciliation of allowance for impairment of consumer debtors

Opening balance	(843 865 127)	(699 499 129)	(843 865 127)	(699 499 129)
Allowance for impairment	(425 558 601)	(310 494 915)	(425 558 601)	(310 494 915)
Amounts written off as uncollectable	194 013 545	166 128 917	194 013 545	166 128 917
	(1 075 410 183)	(843 865 127)	(1 075 410 183)	(843 865 127)

The creation and release of allowance for impaired receivables have been included in operating expenses in the statement of financial performance (note 39). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

These amounts best represent the maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or other credit enhancements.

Refer to note 12 regarding impairment of non-exchange transactions.

In terms of the arrangements to repay rates and services debt as at 30 June 2020, 1781 (2019: 3521) debtors had active outstanding arrangements to the value of R46 952 243 (2019: R61 326 180). The repayment periods range from 1 month to a maximum of 24 months in terms of the Credit Control Policy.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	86 096	86 484	84 607	84 607
Bank balances	254 757 922	246 927 038	238 626 684	242 941 512
Short-term deposits	1 118 866 689	924 619 393	1 118 866 689	924 619 393
	1 373 710 707	1 171 632 915	1 357 577 980	1 167 645 512

Allocation of external investments (call and short-term deposits)

BCMET	541 862	512 075	541 862	512 075
Own funding (operating account commitments)	1 118 324 827	924 107 318	1 118 324 827	924 107 318
	1 118 866 689	924 619 393	1 118 866 689	924 619 393

Call and short-term deposits per institution

Absa (interest rate range 6.1% - 6.8% : 2019 6.3% - 6.6%)	277 883 432	239 825 801	277 883 432	239 825 801
Nedbank (interest rate range 6.1% - 7.5% : 2019 6.3% - 6.6%)	284 805 252	205 985 619	284 805 252	205 985 619
RMB (interest rate range 4% - 8% : 2019 6.3% - 6.6%)	279 972 971	240 877 015	279 972 971	240 877 015
Standard Bank (interest rate range 6.1% - 7% : 2019 6.3% - 6.6%)	234 277 615	152 179 540	234 277 615	152 179 540
Stanlib (interest rate range 6.1% - 8% : 2019 7.2% - 7.5%)	41 927 419	85 751 418	41 927 419	85 751 418
	1 118 866 689	924 619 393	1 118 866 689	924 619 393

Own funding includes the insurance and Compensation for Occupational Injuries and Diseases (COID) purposes.

No cash and cash equivalents (or portions thereof) were pledged as security for any financial liabilities.

No restrictions exist with regard to the use of cash. No portion is past due or impaired.

These amounts best represent the maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or other credit enhancements.

A cession by the Municipality in respect of the Department of Labour for COID amounts to R19 083 035 (2019: R18 500 034)

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

15. Cash and cash equivalents (continued)

The entity had the following bank accounts

Account number / description	Bank statement balances		Cash book balances	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
ABSA BANK - Primary Account - 408-009-0281	-	2 571 001	-	2 522 341
STANDARD BANK - Primary Account - 081-166-702	363 634 783	381 736 314	229 038 791	233 367 599
STANDARD BANK - Market Account - 081-167-873	2 939 537	1 784 773	593 864	1 108 402
STANDARD BANK - Prism Account - 081-167-776	-	-	8 994 029	5 943 170
STANDARD BANK - Imprest Account	2 312	-	-	-
First National Bank - Public Sector Cheque Account - 620-9871-7899	1 434 349	303 231	1 434 348	303 231
First National Bank - Commercial Money Market Account - 620-9871-9358	10 804 827	732 510	10 804 827	732 510
First National Bank - DEA Waste Management Public Sector Cheque Account - 627-4180-3177	3 892 062	2 949 785	3 892 063	2 949 785
Total	382 707 870	390 077 614	254 757 922	246 927 038

16. Revaluation reserve

Opening balance	9 877 411 663	9 047 959 686	9 877 411 663	9 047 959 686
Change during the year	(421 613 148)	829 451 977	(421 613 148)	829 451 977
	9 455 798 515	9 877 411 663	9 455 798 515	9 877 411 663

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019 Restated*	2020	2019 Restated*

17. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

Unspent conditional grants and receipts

National Government Grants	315 099 301	6 016 308	311 205 935	3 062 775
Provincial Government Grants	6 536 633	7 680 686	6 536 633	7 680 686
Other conditional grants	2 214 581	2 187 164	2 214 581	2 187 164
Administrative grant	207 656 054	194 726 124	207 656 054	194 726 124
	531 506 569	210 610 282	527 613 203	207 656 749

National Government	Unspent balance 2019	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / Prior period error	Unspent balance 2020
Financial Management Grant (FMG)	178	1 000 000	(940 487)	(50 288)	(9 377)	26
Neighbourhood Development Partnership Grant (NDPG)	7 183	10 000 000	-	(1 805 216)	(147 139)	8 054 828
Integrated National Electrification Programme (INEP)	987 615	-	-	-	(987 615)	-
Electricity Demand: Side Management Grant (EDSM)	2 285	-	-	-	(2 285)	-
Urban Settlement Development Grant (USDG)	1 443	1 157 423 000	(82 354 709)	(758 660 375)	(93 353 822)	223 055 537
Expanded Public Works Programme (EPWP)	(48)	9 956 000	(9 955 954)	-	-	(2)
Municipal Emergency Housing Grant (MEHG)	294 360	-	-	-	(294 360)	-
Integrated City Development Grant (ICDG)	621	10 383 000	-	(9 992 229)	(390 232)	1 160
Infrastructure Skills Development Grant (ISDG)	1 102 858	9 000 000	(7 096 673)	(109 988)	(1 172 985)	1 723 212
Public Transport Network Grant (PTNG)	666 280	234 466 000	(2 475 920)	(133 329 070)	(20 956 116)	78 371 174
DEA - GMC Grant - BCMDA	3 585	-	(3 585)	-	-	-
DEA - Waste Management Conditional grant - BCMDA	2 949 948	8 609 913	(7 726 295)	-	59 800	3 893 366
Subtotal	6 016 308	1 440 837 913	(110 553 623)	(903 947 166)	(117 254 131)	315 099 301

Provincial Government	Unspent balance 2019	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / Prior period error	Unspent balance 2020
Transitional Grant	113 769	-	-	-	-	113 769
King William's Town: Grants Government	2 053	-	-	-	-	2 053
European Commission	1 188 587	69 141	-	-	-	1 257 728
Gompo Survey (DVRl Hydroponics)	98 532	-	-	-	-	98 532
Rehabilitation of Stoney Drift Landfill Site (DEDEAT)	199 168	-	-	-	-	199 168
Gompo & Mdantsane Art Centres (DVRl Arts Centre)	861	-	-	-	-	861
Pilot Housing Project	268 793	-	-	-	-	268 793
Reeston Development - Land Affairs	176 248	10 302	-	-	-	186 550
Mdantsane Urban Renewal Project (Mount Ruth Node)	4 122 147	355 207	-	(1 578 702)	-	2 898 652

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand	Economic entity				Controlling entity	
	2020	2019 Restated*	2020	2019 Restated*		
17. Unspent conditional grants and receipts (continued)						
Ikhwezi Block 1 Development	175 288	-	-	-	-	175 288
Mdantsane Upgrade - MD Assessment Study	189 165	-	-	-	-	189 165
Needscamp Planning	937 253	-	-	-	-	937 253
Department of Sports, Recreation, Arts and Culture (DSRAC)	208 821	-	-	-	-	208 821
Subtotal	7 680 685	434 650	-	(1 578 702)	-	6 536 633
Other conditional grants	Unspent balance 2019	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / Prior period error	Unspent balance 2020
Buffalo City Metro Transport (BCMET) Funding	487 499	-	-	-	-	487 499
Friends of East London Zoo (Felzoo)	248 025	-	-	-	-	248 025
SALAIDA (Gavle)	763 895	58 419	(73 682)	-	-	748 632
Leiden	79 492	4 871	-	-	-	84 363
Umsobomvu Youth Fund	260 686	17 590	-	-	-	278 276
City of Oldenburg	347 567	20 218	-	-	-	367 785
Subtotal	2 187 164	101 098	(73 682)	-	-	2 214 580
Administrative grant	Unspent balance 2019	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / Prior period error	Unspent balance 2020
Land Affairs - West Bank	104 743 226	6 898 961	-	-	-	111 642 187
Land Affairs - East Bank	89 982 896	6 030 970	-	-	-	96 013 866
Subtotal	194 726 122	12 929 931	-	-	-	207 656 053
National Government (2019)	Unspent balance 2018	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / Prior period error	Unspent balance 2019
Financial Management Grant (FMG)	1 204	1 150 000	(1 086 539)	(64 892)	405	178
Neighbourhood Development Partnership Grant (NDPG)	-	6 000 000	-	(5 992 817)	-	7 183
Integrated National Electrification Programme (INEP)	568	6 200 000	-	(4 875 550)	(337 402)	987 616
Electricity Demand: Side Management Grant (EDSM)	18	8 000 000	-	(7 996 091)	(1 643)	2 284
Urban Settlement Development Grant (USDG)	291 553	962 992 000	(83 784 580)	(778 446 265)	(101 051 265)	1 443
Expanded Public Works Programme (EPWP)	217	4 167 000	(4 167 264)	-	-	(47)
Municipal Emergency Housing Grant (MEHG)	-	9 043 295	(7 853 371)	-	(895 564)	294 360
Integrated City Development Grant (ICDG)	-	10 003 000	-	(10 002 379)	-	621
Infrastructure Skills Development Grant (ISDG)	1 845 208	10 800 000	(9 456 700)	(15 249)	(2 070 401)	1 102 858
Public Transport Network Grant (PTNG)	41 592 183	95 165 000	(2 965 645)	(79 366 197)	(53 759 061)	666 280
DEA - GMC Grant - BCMDA	8 848	-	-	-	(5 263)	3 585
DEA - Waste Management Conditional grant - BCMDA	-	5 417 769	(2 467 821)	-	-	2 949 948

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity			
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*		
17. Unspent conditional grants and receipts (continued)						
Subtotal	43 739 799	118 938 064	(111 781 920)(886 759 440)	(158 120 194) 6 016 309		
Provincial Government (2019)	Unspent balance 2018	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / Prior period error	Unspent balance 2019
Transitional Grant	113 769	-	-	-	-	113 769
King William's Town: Grants Government	2 053	-	-	-	-	2 053
European Commission	1 114 528	74 059	-	-	-	1 188 587
Gompo Survey (DVRI Hydroponics)	98 532	-	-	-	-	98 532
Rehabilitation of Stoney Drift Landfill Site (DEDEAT)	199 168	-	-	-	-	199 168
Gompo & Mdantsane Art Centres (DVRI Arts Centre)	861	-	-	-	-	861
Pilot Housing Project	268 793	-	-	-	-	268 793
Reeston Development - Land Affairs	165 214	11 034	-	-	-	176 248
Mdantsane Urban Renewal Project (Mount Ruth Node)	10 856 433	721 337	-	(7 455 623)	-	4 122 147
Ikhwezi Block 1 Development	175 288	-	-	-	-	175 288
Mdantsane Upgrade - MD Assessment Study	189 165	-	-	-	-	189 165
Needscamp Planning	937 253	-	-	-	-	937 253
Department of Sports, Recreation, Arts and Culture (DSRAC)	208 821	-	-	-	-	208 821
Subtotal	14 329 878	806 430	-	(7 455 623)	-	7 680 685
Other conditional grants (2019)	Unspent balance 2018	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / Prior period error	Unspent balance 2019
Amatole District Municipality Funding (ADM)	1 673 270	-	-	-	(1 673 270)	-
Buffalo City Metro Transport (BCMETS) Funding	487 499	-	-	-	-	487 499
VUNA Award	1 040 066	-	-	-	(1 040 066)	-
Friends of East London Zoo (Felzoo)	248 025	-	-	-	-	248 025
SALAIDA (Gavle)	1 051 684	122 622	(410 411)	-	-	763 895
Leiden	74 274	5 218	-	-	-	79 492
Umsobomvu Youth Fund	241 844	18 842	-	-	-	260 686
City of Oldenburg	324 143	23 424	-	-	-	347 567
Subtotal	5 140 805	170 106	(410 411)	-	(2 713 336)	2 187 164
Administrative grant (2019)	Unspent balance 2018	Current years receipts / interest allocated	Transfer to revenue operating expenditure	Transfer to revenue capital expenditure	Transfers / Prior period error	Unspent balance 2019
Land Affairs - West Bank	97 766 810	6 976 416	-	-	-	104 743 226
Land Affairs - East Bank	84 375 152	5 607 744	-	-	-	89 982 896
Subtotal	182 141 962	12 584 160	-	-	-	194 726 122

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

17. Unspent conditional grants and receipts (continued)

Though an amount of R531 506 569 is reported as unspent conditional grants, this figure includes the following:

- An amount of R207 756 639 that BCMM administers on behalf of the West Bank and East Bank Land Restitution (Section 21 Company), BCMM has no control on the spending of use of the funding.

- Other balances relate to ring fenced trust funding projects.

18. Borrowings

At amortised cost

Annuity loans	287 580 532	345 554 088	287 580 532	345 554 088
---------------	-------------	-------------	-------------	-------------

Non-current liabilities

At amortised cost	233 184 927	287 580 532	233 184 927	287 580 532
-------------------	-------------	-------------	-------------	-------------

Current liabilities

At amortised cost	54 395 605	57 973 556	54 395 605	57 973 556
-------------------	------------	------------	------------	------------

The entity did not default on any of the borrowings in respect of capital or interest portions.

No terms attached to the borrowings were re-negotiated.

Average interest rate is 9.41%

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

19. Provisions

Reconciliation of provisions - Economic entity - 2020

	Opening Balance	Additions	Increase	Utilised during the year	Total
Provisions - Retentions	-	832 733	-	-	832 733
Landfill Sites	212 066 275	118 965 409	-	-	331 031 684
Bonus provision	45 092 749	6 367 380	6 338 316	(670 184)	57 128 261
Provision -EL IDZ Defects	-	255 754	-	-	255 754
	257 159 024	126 421 276	6 338 316	(670 184)	389 248 432

Reconciliation of provisions - Economic entity - 2019

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Provision - Website and mailbox services	24 381	-	-	(24 381)	-
Landfill Sites	211 366 794	699 481	-	-	212 066 275
Bonus provision	40 567 610	5 349 580	(824 441)	-	45 092 749
	251 958 785	6 049 061	(824 441)	(24 381)	257 159 024

Reconciliation of provisions - 2020

	Opening Balance	Additions	Increase	Total
Landfill Sites	212 066 275	118 965 409	-	331 031 684
Bonus provision	44 063 777	5 544 230	6 338 316	55 946 323
	256 130 052	124 509 639	6 338 316	386 978 007

Reconciliation of provisions - Economic entity - 2019

	Opening Balance	Additions	Total
Landfill Sites	211 366 794	699 481	212 066 275
Bonus provision	39 743 169	4 320 608	44 063 777
	251 109 963	5 020 089	256 130 052
Non-current liabilities	130 957 015	11 158 873	130 124 282
Current liabilities	258 291 417	246 000 151	256 853 725
	389 248 432	257 159 024	386 978 007
			256 130 052

With regards to the Provision for Landfill sites it is stated in the Department of Water Affairs and Forestry "Minimum Requirements for Waste Disposal by Landfill", Second Edition 1998, Chapter 2.3.4, that "All landfills except those closed prior to August 1990 when the permitting system came into effect, must be permitted before they can be considered closed. Closure will involve, inter alia, the application of final cover, topsoil, vegetating, drainage maintenance and leachate management." Rehabilitation costs in respect of geohydrological monitoring is anticipated to be a recurring cost for the next 30 years. The future value of the rehabilitation of landfill sites obligation was calculated by inflating the non-current rehabilitation cost to an estimated future cost which was then discounted to present value.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

19. Provisions (continued)

Assumptions used:

- Interest rate used is BCMM's borrowing rate at 9.41% (2019: 9.74%).
- The valuation for the landfill site provision in 2020 was done by Munitech (Pty) Ltd, a company which specialises in infrastructure maintenance and operations and municipal services, which includes solid waste collection and disposal. The company registration number is 1988/761/07 and the SAACE membership number is 439.
- Due to legislation changes in the 2019/2020 financial year, all BCMM waste sites have been classified as Class B general waste disposal sites. This has increased the obligation for the rehabilitation of these sites substantially from 2018/2019 as this legislation now requires an increase in the capping layers for all of BCMM's waste sites from what was required in previous years.

The expense relating to the provision of bonus is included under note 35: Employee related costs.

20. Financial assets by category

		Financial assets at amortised cost	Total
2020			
Trade and other receivables from exchange transactions	14	1 265 656 197	1 265 656 197
Other receivables from non-exchange transactions	12	523 673 392	523 673 392
Cash and cash equivalents	15	1 373 710 707	1 373 710 707
Receivables from exchange transactions - BCMDA	11	60 710	60 710
		3 163 101 006	3 163 101 006
2019			
Trade and other receivables from exchange transactions	14	1 098 511 668	1 098 511 668
Other receivables from non-exchange transactions	12	420 561 555	420 561 555
Cash and cash equivalents	15	1 171 632 915	1 171 632 915
Receivables from exchange transactions - BCMDA	11	347 035	347 035
		2 691 053 173	2 691 053 173

Refer to note 54 - Risk management

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

21. Financial liability by category

		Financial liabilities at amortised cost	Measured at fair value	Total
2020				
Accrued leave pay	22	127 425 128	-	127 425 128
Payments received in advance	22	141 303 524	-	141 303 524
Borrowings: Other financial liabilities	18	287 580 532	-	287 580 532
Trade and other payables	22	936 580 434	-	936 580 434
Consumer deposits	23	-	70 143 449	70 143 449
Other deposits	22	-	7 624 011	7 624 011
Unspent conditional grants	17	531 506 569	-	531 506 569
		2 024 396 187	77 767 460	2 102 163 647
2019				
Accrued leave pay	22	93 397 746	-	93 397 746
Payments received in advance	22	136 456 462	-	136 456 462
Borrowings: Other financial liabilities	18	345 554 088	-	345 554 088
Trade and other payables	22	881 057 041	-	881 057 041
Consumer deposits	23	-	64 109 019	64 109 019
Other deposits	22	-	7 376 353	7 376 353
Unspent conditional grants	17	210 610 282	-	210 610 282
		1 667 075 619	71 485 372	1 738 560 991

Refer to note 54 - Risk management

22. Trade payables from exchange transactions

Trade payables	734 329 107	657 179 867	734 353 479	657 137 339
Payments received in advanced	141 303 524	136 456 462	141 303 524	136 456 462
Retention monies	112 038 029	105 699 251	112 038 029	105 699 251
Accrued leave pay	127 425 128	93 397 746	127 425 128	93 397 746
Deposits received	7 624 011	7 376 353	7 624 011	7 376 353
Other creditors	90 213 298	118 177 923	88 344 513	117 487 116
	1 212 933 097	1 118 287 602	1 211 088 684	1 117 554 267

23. Consumer deposits

Electricity	43 617 057	38 768 862	43 617 057	38 768 862
Water	26 526 392	25 340 157	26 526 392	25 340 157
	70 143 449	64 109 019	70 143 449	64 109 019

The amounts reflected represent a cost value which is viewed to be the approximate fair value.

The consumer deposits are reflected at nominal value as they are utilised as part of the settlement of final consumer accounts.

Guarantees held in lieu of Electricity and Water deposits amounted to R21 842 479 (2019: R20 851 479).

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

24. Revenue

Service charges	3 260 941 348	3 000 623 389	3 260 941 348	3 000 623 389
Rental of facilities and equipment	22 652 060	20 439 799	22 652 060	20 439 799
Licences and permits	12 587 412	15 156 416	12 587 412	15 156 416
Fees earned	1 751 975	619 583	-	-
Total other revenue	91 567 237	110 707 059	91 477 471	110 685 544
Interest received - investment	153 537 591	162 800 445	153 017 971	162 361 281
Property rates	1 467 399 835	1 299 753 433	1 467 399 835	1 299 753 433
Interest, Dividends and Rent on Land	39 698 901	26 119 274	39 698 901	26 119 274
Government grants & subsidies	2 011 229 172	1 919 432 296	1 989 656 320	1 916 450 674
Levies	68 707 237	63 389 173	68 707 237	63 389 173
Public contributions and donations - PPE	-	279 066 643	-	279 066 643
Fines	10 863 546	24 938 282	10 863 546	24 938 282
Fuel levy	547 497 000	513 844 000	547 497 000	513 844 000
	7 688 433 314	7 436 889 792	7 664 499 101	7 432 827 908

The amount included in revenue arising from exchanges of goods or services are as follows:

Service charges	3 260 941 348	3 000 623 389	3 260 941 348	3 000 623 389
Rental of facilities and equipment	22 652 060	20 439 799	22 652 060	20 439 799
Fees earned	1 751 975	619 583	-	-
Total other revenue	91 567 237	110 707 059	91 477 471	110 685 544
Interest received	153 537 591	162 800 445	153 017 971	162 361 281
	3 530 450 211	3 295 190 275	3 528 088 850	3 294 110 013

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

24. Revenue (continued)

The amount included in revenue arising from non-exchange transactions is as follows:

Taxation revenue

Property rates	1 467 399 835	1 299 753 433	1 467 399 835	1 299 753 433
Licences or permits	12 587 412	15 156 416	12 587 412	15 156 416
Interest, Dividends and Rent on Land	39 698 901	26 119 274	39 698 901	26 119 274

Transfer revenue

Government grants & subsidies	2 011 229 172	1 919 432 296	1 989 656 320	1 916 450 674
Levies	68 707 237	63 389 173	68 707 237	63 389 173
Donations received	-	279 066 643	-	279 066 643
Fines	10 863 546	24 938 282	10 863 546	24 938 282
Fuel levy	547 497 000	513 844 000	547 497 000	513 844 000

4 157 983 103 4 141 699 517 4 136 410 251 4 138 717 895

Traffic fines are made up as follows:

Traffic fines movement	(1 032 722)	10 854 065	(1 032 722)	10 854 065
Revenue received	11 896 268	14 084 217	11 896 268	14 084 217

Revenue raised

10 863 546 24 938 282 10 863 546 24 938 282

Total fines outstanding at 30 June 2020 is R188 587 689 (R168 479 390 : 2019) after eliminating untraceable and collected fines. A probability factor of 20% (23% : 2019) collection of total outstanding fines was calculated which amounted to R37 717 538 (R38 750 259 : 2019). Refer to note 12.

The lifespan of traffic fines is as follows:

- Traffic offences in respect of which the admission of guilt amount is below R500: one year from date of issue of the warrant.
- Traffic offences in respect of which the admission of guilt amount is from R500 up to the maximum amount that may be determined by a peace officer in terms of section 56(1) of Act 51 of 1977: two years from the date of issue of the warrant.

The above arrangement also applies in traffic cases where a notice in terms of section 341 of Act 51 1977 is followed up by a summons setting admission of guilt up to the above maximum amount.

25. Service charges

Sale of electricity	1 779 478 165	1 724 599 050	1 779 478 165	1 724 599 050
Sale of water	728 647 093	567 466 762	728 647 093	567 466 762
Less: Income forgone	(23 734 082)	(20 432 117)	(23 734 082)	(20 432 117)
Sewerage and sanitation charges - Non Pans	313 533 709	281 817 572	313 533 709	281 817 572
Sewerage and sanitation charges - Pans	63 694 547	65 395 226	63 694 547	65 395 226
Refuse removal	335 843 487	310 100 968	335 843 487	310 100 968
Other service charges	63 478 429	71 675 928	63 478 429	71 675 928
	3 260 941 348	3 000 623 389	3 260 941 348	3 000 623 389

26. Rental of facilities and equipment

Facilities and equipment

Rental of facilities	22 652 060	20 439 799	22 652 060	20 439 799
----------------------	------------	------------	------------	------------

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

27. Licences and permits (non-exchange)

Dog	876 280	949 641	876 280	949 641
Agency fees	11 711 132	14 206 775	11 711 132	14 206 775
	12 587 412	15 156 416	12 587 412	15 156 416

28. Interest (non-exchange)

Interest - Receivables	39 698 901	26 119 274	39 698 901	26 119 274
------------------------	------------	------------	------------	------------

29. Other revenue - (exchange)

Grazing fees	82 080	96 920	82 080	96 920
Fire brigade	3 549	123 245	3 549	123 245
Vehicle registrations	21 802 594	26 292 007	21 802 594	26 292 007
Street frontage and administration fees	119 388	339 828	119 388	339 828
Town planning and sub-division fees	3 792 276	3 933 225	3 792 276	3 933 225
Commission	25 993 731	25 089 482	25 993 731	25 089 482
Private works	4 561 584	3 389 470	4 561 584	3 389 470
Tender receipts	424 194	719 459	335 368	712 676
Coupons and clip tickets	275 383	425 111	275 383	425 111
Plan approval fees	7 911 043	18 635 333	7 911 043	18 635 333
Sale of scrap waste	6 675 580	5 922 491	6 675 580	5 922 491
Hire charges	-	10 659	-	10 659
Photocopies	28 953	53 132	28 953	53 132
Library	-	90	-	90
Insurance	1 123 919	1 828 065	1 123 919	1 828 065
Sale of plants and animals	5 261	9 940	5 261	9 940
Admission fees	3 301 094	2 658 647	3 301 094	2 658 647
Sundry income	8 013 458	13 785 267	8 012 518	13 770 535
Cemetery fees	7 453 150	7 394 688	7 453 150	7 394 688
	91 567 237	110 707 059	91 477 471	110 685 544

30. Interest received

Interest revenue

Call accounts with financial institutions	46 629 258	75 713 495	46 629 258	75 713 495
Bank	24 020 646	22 976 929	23 501 026	22 537 765
Interest charged on trade and other receivables	82 887 687	64 110 021	82 887 687	64 110 021
	153 537 591	162 800 445	153 017 971	162 361 281

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*
31. Property rates				
Rates received				
Residential	652 760 495	563 023 116	652 760 495	563 023 116
Commercial	655 549 322	597 674 454	655 549 322	597 674 454
Industrial	129 876 859	111 067 904	129 876 859	111 067 904
Educational	19 190 522	15 452 693	19 190 522	15 452 693
Agricultural	8 977 058	5 030 025	8 977 058	5 030 025
Public Service Infrastructure	679 928	773 056	679 928	773 056
Vacant land	52 224 507	47 976 011	52 224 507	47 976 011
Less: Income forgone	(51 858 856)	(41 243 826)	(51 858 856)	(41 243 826)
	1 467 399 835	1 299 753 433	1 467 399 835	1 299 753 433

Valuations

Residential	62 628 411 570	62 142 944 000
Commercial	24 778 387 500	24 835 478 000
Industrial	4 345 255 000	4 319 155 000
Educational	2 487 747 000	2 537 637 000
Agricultural	3 108 705 000	3 140 757 000
Public Service Infrastructure	264 805 500	282 700 500
Vacant Land	2 926 257 100	2 988 186 000
	100 539 568 670	100 246 857 500

The Buffalo City Metropolitan Municipality is required in terms of the Municipal Property Rates Act, Act 6 of 2004 (MPRA) to undertake a General Valuation on land and buildings every 4 years and a supplementary valuation at least once a year. The third general valuation in terms of the MPRA was done in 2017 and the implementation date was 1 July 2018. The valuation date was 1 July 2017.

Rates are levied on a monthly basis (the due date for monthly accounts is the 15th of every month). Consumers must apply if they want to pay annually with the final date for payment for annual accounts being 30 September each year. Interest at a standard rate (as amended from time to time), is levied on rates outstanding after 30 September, except where the owner is paying in installments.

Tariffs levied: cents in the rand

Residential	0.011619	0.010660
Commercial	0.029048	0.026649
Industrial	0.029048	0.026649
Public Benefit Organisation	0.002905	0.002665
Educational	0.008133	0.007462
Agricultural	0.002905	0.002665
Public Service Infrastructure	0.002905	0.002665
Vacant land	0.034857	0.031979

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

31. Property rates (continued)

Municipal properties

Buffalo City Metropolitan Municipality grants rebates in terms of the Municipality's rates policy to the following categories of property or owners:

1) Newly developed commercial/ industrial properties with a value of R50 000 000 and above.

The rebate will be phased in over a period of 5 years, from the effective date of the valuation of the improved property in the municipality's valuation roll as follows:

- Year 1 – 50%
- Year 2 – 40%
- Year 3 – 30%
- Year 4 – 20%
- Year 5 – 10%, thereafter full rates are payable.

2) A discretionary rebate/discount of up to 75%, where the Municipality does not supply some or all of the following services:

Constructed public roads	15%	15%
Water supply	22.5%	22.5%
Refuse removal service	7.5%	7.5%
Electricity supply	15%	15%
Sewerage service	15%	15%
	75%	75%

3) Senior citizens who are 60 years and above qualify for up to 100% depending on their income level allocated as follows:

Gross monthly income (Rand)	Rebate
0 - 3500	100%
3501 - 5000	85%
5001 - 6500	70%
6501 - 8000	55%
8001 - 9500	40%
9501 - 10500	25%
10501 - 12000	20%
12001 - 13500	15%
13501 - 15000	10%

4) On application, Public Benefit Organisations (PBO's) as defined in the Municipal Property Rates Act and BCMM's Rates Policy are granted rebates.

5) Section 17 of the MPRA lists other impermissible rates, where a entity may not levy a rate and the following were applied in the 2019/20 financial year:

Section 17(1)(a) - First 30% of the market value of public service infrastructure.

Section 17(1)(h) - First R15 000 of the market value of a property categorised as residential.

Section 17(1)(i) - On a property registered in the name of and used primarily as a place of public worship by a religious community, including an official residence registered in the name of that community which is occupied by an office bearer of that community.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*
32. Grants and subsidies paid				
Other subsidies				
Buffalo City Metropolitan Development Agency	-	-	39 352 507	29 847 217
Mayoral Social Responsibility	1 158 320	670 221	1 158 320	670 221
Sponsored Events	22 764 226	27 847 411	22 764 226	27 847 411
Other Organisations	2 546 290	2 765 000	2 546 290	2 765 000
Disaster management fund	29 000 925	-	29 000 925	-
Housing support	-	6 000 246	-	6 000 246
Rural development	4 803 971	9 552 902	4 803 971	9 552 902
Social relief	31 195 125	25 768 220	31 195 125	25 768 220
	91 468 857	72 604 000	130 821 364	102 451 217
33. Government grants and subsidies				
Operating grants				
Government grants - operating projects	112 262 160	120 454 481	112 262 160	120 454 481
Other Government grants and subsidies	866 980 936	798 242 016	866 980 936	798 242 016
LG SETA Grant - BCMDA	31 802	22 843	-	-
DEA - Waste Management Conditional grant - BCMDA	7 729 880	2 467 821	-	-
	987 004 778	921 187 161	979 243 096	918 696 497
Capital grants				
Government grant (capital) - BCMDA	13 811 170	490 958	-	-
Government grant (capital: PPE)	1 010 413 224	997 754 177	1 010 413 224	997 754 177
	1 024 224 394	998 245 135	1 010 413 224	997 754 177
	2 011 229 172	1 919 432 296	1 989 656 320	1 916 450 674
34. Other revenue - (non-exchange)				
Fire levy	68 707 237	63 389 173	68 707 237	63 389 173

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*
35. Employee related costs				
Basic emoluments	1 348 374 063	1 302 228 439	1 334 807 663	1 294 453 728
Bonus	445 458	552 367	-	-
Medical aid contributions	103 025 047	91 069 604	103 025 047	91 069 604
UIF	10 431 120	9 706 967	10 351 577	9 670 604
Workmen's compensation fund	94 680	158 531	-	-
SDL	170 365	147 098	-	-
Leave pay contributions (Leave pay provision charge)	72 107 932	48 726 684	71 370 639	48 353 281
Pension fund contributions	241 376 756	220 828 560	240 489 005	220 147 100
Overtime payments	152 200 997	137 680 328	152 200 997	137 680 328
Long-service awards	28 081 567	24 955 404	28 081 567	24 955 404
13th Cheques	121 770 287	92 959 622	121 770 287	92 959 622
Car allowance	33 242 536	31 252 525	33 122 536	31 132 525
Housing benefits and allowances	7 930 825	7 093 722	7 882 825	7 045 722
Essential user cost	25 272 381	27 288 015	25 272 381	27 288 015
Group life	7 987 862	7 232 945	7 987 862	7 232 945
Other allowances	68 582 653	64 435 757	68 582 653	64 435 757
Employee benefit obligation net cost	(24 649 482)	14 967 159	(24 649 482)	14 967 159
	2 196 445 047	2 081 283 727	2 180 295 557	2 071 391 794

Other allowances include senior manager allowance packages, acting scarcity, standby, cellphone and accommodation / incidental allowances.

Essential user allowances are paid to employees who use their private vehicles for municipal business.

Remuneration of City Manager

Annual Remuneration	1 407 132	1 407 132	1 407 132	1 407 132
Travel Allowance	312 000	312 000	312 000	312 000
Allowance	321 512	332 079	321 512	332 079
UIF	1 785	1 785	1 785	1 785
Medical Aid	28 400	27 205	28 400	27 205
Pension Contributions	274 391	265 019	274 391	265 019
	2 345 220	2 345 220	2 345 220	2 345 220

Remuneration of Chief Financial Officer

Annual Remuneration	698 167	735 924	698 167	735 924
Travel Allowance	206 773	192 000	206 773	192 000
Allowance	7 262	109 632	7 262	109 632
UIF	1 190	1 190	1 190	1 190
Medical Aid	35 939	33 745	35 939	33 745
Pension Contributions	125 670	144 898	125 670	144 898
Group Life	5 968	13 913	5 968	13 913
	1 080 969	1 231 302	1 080 969	1 231 302

The position was filled on 1 November 2019

Acting allowance to the value of R32 180 was paid in the 2019/20 financial year in the respect of the vacant Chief Financial Officer.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

35. Employee related costs (continued)

Remuneration of HOD: Executive Support Services

Annual Remuneration	1 120 915	1 120 915	1 120 915	1 120 915
Travel Allowance	242 766	242 766	242 766	242 766
Allowance	259 339	268 720	259 339	268 720
UIF	1 785	1 785	1 785	1 785
Medical Aid	26 759	25 063	26 759	25 063
Pension Contributions	201 765	194 873	201 765	194 873
Group Life	14 863	14 070	14 863	14 070
	1 868 192	1 868 192	1 868 192	1 868 192

Remuneration of HOD: Human Settlements

Annual Remuneration	968 941	968 165	968 941	968 165
Travel Allowance	295 843	286 475	295 843	286 475
Allowance	85 882	107 510	85 882	107 510
UIF	1 785	1 785	1 785	1 785
Medical Aid	53 908	49 807	53 908	49 807
Pension Contributions	172 449	166 559	172 449	166 559
Group Life	17 939	16 447	17 939	16 447
	1 596 747	1 596 748	1 596 747	1 596 748

Remuneration of HOD: Corporate Services

Annual Remuneration	1 120 915	1 120 915	1 120 915	1 120 915
Travel Allowance	240 000	240 000	240 000	240 000
Allowance	239 984	250 423	239 984	250 423
UIF	1 785	1 785	1 785	1 785
Medical Aid	46 930	43 956	46 930	43 956
Pension Contributions	218 578	211 113	218 578	211 113
	1 868 192	1 868 192	1 868 192	1 868 192

Remuneration HOD: Health and Public Safety

Annual Remuneration	958 048	958 048	958 048	958 048
Allowance	450 095	456 476	450 095	456 476
UIF	1 785	1 785	1 785	1 785
Pension Contributions	186 819	180 438	186 819	180 438
	1 596 747	1 596 747	1 596 747	1 596 747

Remuneration of HOD: Infrastructure Services

Annual Remuneration	1 120 915	1 120 915	1 120 915	1 120 915
Travel Allowance	168 000	168 000	168 000	168 000
Allowance	317 252	327 831	317 252	327 831
UIF	1 785	1 785	1 785	1 785
Medical Aid	26 798	24 556	26 798	24 556
Pension Contributions	218 578	211 113	218 578	211 113
Group Life	14 863	13 993	14 863	13 993
	1 868 191	1 868 193	1 868 191	1 868 193

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

35. Employee related costs (continued)

Remuneration of HOD: Development and Spatial Planning

Annual Remuneration	1 120 915	1 120 915	1 120 915	1 120 915
Travel Allowance	192 000	192 000	192 000	192 000
Allowance	298 205	308 316	298 205	308 316
UIF	1 785	1 785	1 785	1 785
Medical Aid	26 798	24 556	26 798	24 556
Pension Contributions	218 578	211 113	218 578	211 113
Group Life	9 910	9 508	9 910	9 508
	1 868 191	1 868 193	1 868 191	1 868 193

Remuneration of HOD: Economic Development & Agencies

Annual Remuneration	958 048	958 048	958 048	958 048
Travel Allowance	295 011	285 643	295 011	285 643
Allowance	341 903	351 271	341 903	351 271
UIF	1 785	1 785	1 785	1 785
	1 596 747	1 596 747	1 596 747	1 596 747

Remuneration of HOD: Municipal Services

The position is vacant

The position was vacant for 2019/20. If the position was filled for the entire 2019/20 financial year the remuneration would have amounted to R1 596 747. Acting allowance to the value of R173 560 was paid in the 2019/20 financial year in respect of the vacant HOD: Municipal Service position.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*
35. Employee related costs (continued)				
BCMDA - Remuneration of Executive Management				
Remuneration of Chief Executive Officer - Appointed 01 October 2017				
Annual Remuneration	2 187 904	2 051 937	-	-
Performance Bonuses	134 820	168 300	-	-
Contributions to UIF, Medical and Pension Funds	218 171	196 848	-	-
	2 540 895	2 417 085	-	-
BCMDA - Remuneration of Chief Financial Officer- Appointed 20 April 2016				
Annual Remuneration	1 445 882	1 337 291	-	-
Car Allowance	-	14 000	-	-
Performance Bonuses	74 247	111 222	-	-
Contributions to UIF, Medical and Pension Funds	144 784	135 429	-	-
	1 664 913	1 597 942	-	-
BCMDA - Remuneration of Company Secretary/Legal Advisor- Appointed July 2018				
Annual Remuneration	938 157	876 783	-	-
Performance Bonuses	38 540	72 166	-	-
Contributions to UIF, Medical and Pension Funds	94 569	88 499	-	-
	1 071 266	1 037 448	-	-
BCMDA - Corporate and human resources (corporate services)- Appointed 01 June 2016				
Annual Remuneration	1 239 064	1 158 004	-	-
Performance Bonuses	63 627	95 313	-	-
Contributions to UIF, Medical and Pension Funds	124 329	116 313	-	-
	1 427 020	1 369 630	-	-
BCMDA - Development Facilitation - Appointed 01 July 2016				
Annual Remuneration	1 294 203	1 209 535	-	-
Performance Bonuses	66 458	99 554	-	-
Contributions to UIF, Medical and Pension Funds	129 783	121 409	-	-
	1 490 444	1 430 498	-	-
BCMDA - Remuneration of Executive Management	8 194 538	7 852 603	-	-
Employee related cost as per note	2 196 445 047	2 081 283 727	2 180 295 557	2 071 391 794
Total employee related costs	2 204 639 585	2 089 136 330	2 180 295 557	2 071 391 794

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

36. Remuneration of councillors

Executive Major	842 556	810 150	842 556	810 150
Deputy Executive Mayor	680 465	654 293	680 465	654 293
Mayoral Committee Members	6 837 197	5 649 727	6 837 197	5 649 727
Speaker	680 465	654 293	680 465	654 293
Chief Whip	640 987	616 334	640 987	616 334
Councillors salaries	27 301 904	26 851 580	27 301 904	26 851 580
Councillors' pension contribution	4 505 346	4 265 267	4 505 346	4 265 267
Councillors housing subsidy	2 311 161	2 360 870	2 311 161	2 360 870
Councillors medical aid	2 499 558	2 270 435	2 499 558	2 270 435
Travel allowance	14 292 768	13 873 281	14 292 768	13 873 281
Cellphone Allowance	4 095 092	4 309 289	4 095 092	4 309 289
Board fees	1 635 244	750 467	-	-
	66 322 743	63 065 986	64 687 499	62 315 519

2020

	Re-imbursive Costs	Board Remuneration	Total
S Kondlo	-	49 500	49 500
C Sangqu	5 296	229 500	234 696
J Badenhorst	437	47 500	47 937
N Petela-Ngcanga	3 668	50 500	54 168
M Pango	2 687	232 500	235 187
T Bonakele	9 867	187 500	197 367
L Njezula	1 881	162 500	164 381
T Buswana	1 160	204 000	205 160
S Booi	758	172 000	172 758
T Godongwana	1 437	137 000	138 437
B H Canning	5 154	130 500	135 654
	32 345	1 603 000	1 635 245

2019

	Data Allowance	Re-imbursive Costs	Board Remuneration	Total
S Kondlo	1 400	1 641	128 125	131 166
C Sangqu	1 400	8 716	115 813	125 929
J Badenhorst	1 400	958	137 625	139 983
N Petela-Ngcanga	1 400	10 294	104 813	116 507
M Pango	1 400	3 495	137 563	142 458
T Bonakele	1 400	2 025	91 000	94 425
	8 400	27 129	714 939	750 468

In-kind benefits

The Executive Mayor, Deputy Executive Mayor, Speaker, Chief Whip and Mayoral Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. Cost of secretarial support amounts to R24 198 250 (2019: R20 931 379).

The House Keeper appointed to maintain the Mayoral house cost to Council amounts to R292 130 (2019: R268 991).

The Executive Mayor, Deputy Executive Mayor, Speaker and Chief Whip each have the use of a Council owned vehicle for official duties. Repairs to the vehicles amounts to R545 906 (2019: R189 917). An amount of R225 032 (2019: R1 097 339) was incurred for hired vehicles.

The Executive Mayor, Deputy Executive Mayor and Speaker each have full-time bodyguards. Cost of 14 bodyguards amounts to R11 739 469 (2019: R9 491 354).

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

		Economic entity		Controlling entity	
Figures in Rand		2020	2019 Restated*	2020	2019 Restated*
37. Depreciation and amortisation					
Property, plant and equipment	4	1 704 389 946	1 310 528 225	1 704 196 103	1 310 321 850
Intangible assets - amortisation	5	5 281 668	5 520 000	4 539 632	4 539 374
		1 709 671 614	1 316 048 225	1 708 735 735	1 314 861 224
38. Finance costs					
Borrowings		32 563 877	38 466 994	32 563 877	38 466 994
Bank		-	7	-	-
		32 563 877	38 467 001	32 563 877	38 466 994
39. Debt impairment					
Contributions to debt impairment - Exchange	14	425 558 601	310 494 915	425 558 601	310 494 915
Contributions to debt impairment - Non-exchange	12	176 282 916	96 483 318	176 282 916	96 483 318
		601 841 517	406 978 233	601 841 517	406 978 233
40. Bulk purchases					
Electricity		1 528 585 546	1 395 328 547	1 528 585 546	1 395 328 547
Water		243 753 593	233 628 257	243 753 593	233 628 257
		1 772 339 139	1 628 956 804	1 772 339 139	1 628 956 804
41. Contracted services					
Presented previously					
Information Technology Services		81 468	445 984	-	-
Security Services		1 582 051	587 153	-	-
Operating Leases		834 006	606 855	-	-
Specialist Services		266 937	307 668	-	-
Other Contractors		14 535 286	3 546 706	-	-

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*
41. Contracted services (continued)				
Outsourced Services				
Alien Vegetation Control	4 150 678	4 429 961	4 150 678	4 429 961
Animal Care	1 438 960	1 500 000	1 438 960	1 500 000
Burial Services	186 716	307 620	186 716	307 620
Catering Services	9 117 410	10 744 640	9 117 410	10 744 640
Cleaning Services	481 113	290 648	481 113	290 648
Clearing and Grass Cutting Services	3 118 556	5 062 058	3 118 556	5 062 058
Hygiene Services	98 933	30 763	98 933	30 763
Internal Auditors	1 053 690	762 467	1 053 690	762 467
Litter Picking and Street Cleaning	20 860 286	9 172 968	20 860 286	9 172 968
Meter Management	1 185 816	1 374 977	1 185 816	1 374 977
Medical Services [Medical Health Services & Support]	40 958	50 242	40 958	50 242
Personnel and Labour	17 196 478	16 913 587	17 196 478	16 913 587
Professional Staff	25 829 617	25 253 830	25 829 617	25 253 830
Connection/Dis-connection	13 656 622	12 765 758	13 656 622	12 765 758
Refuse Removal	23 283 347	23 396 340	23 283 347	23 396 340
Removal of Structures and Illegal Signs	1 695 428	530 197	1 695 428	530 197
Researcher	-	3 323	-	3 323
Security Services	164 255	720 054	164 255	720 054
Sewerage Services	256 040	170 600	256 040	170 600
Traffic Fines Management	2 981 716	3 061 935	2 981 716	3 061 935
Transport Services	672 801	622 722	672 801	622 722
Water Tankers	633 919	-	633 919	-
Consultants and Professional Services				
Business and Advisory	27 801 293	34 046 676	25 731 072	32 782 534
Infrastructure and Planning	2 457 960	4 811 160	2 457 960	4 811 160
Laboratory Services	284 262	393 532	284 262	393 532
Legal Cost	34 118 788	34 002 511	34 118 788	33 980 011
Contractors				
Artists and Performers	157 209	377 286	157 209	377 286
Audio-visual Services	298 511	190 683	298 511	190 683
Building	4 326 718	9 350 313	4 326 718	9 350 313
Electrical	8 779 732	8 550 562	8 779 732	8 550 562
Event Promoters	8 862 139	11 064 366	8 862 139	11 064 366
Fire Services	1 900	1 950	1 900	1 950
Graphic Designers	492 174	-	492 174	-
Inspection Fees	146 500	369 284	146 500	369 284
Maintenance of Unspecified Assets	-	4 180	-	4 180
Management of Informal Settlements	882	37 632	882	37 632
Medical Services	26 830	4 782	26 830	4 782
Pest Control and Fumigation	126 436	50 528	126 436	50 528
Plants, Flowers and Other Decorations	912 074	489 630	912 074	489 630
Transportation	2 505 370	-	2 505 370	-
Safeguard and Security	5 397 523	3 039 651	5 397 523	3 039 651
Sewerage Services	58 345 798	60 084 724	58 345 798	60 084 724
Stage and Sound Crew	110 812	109 764	110 812	109 764
	300 555 998	289 638 270	281 186 029	282 857 262

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019 Restated*	2020	2019 Restated*
42. General expenses				
Advertising	10 945 669	11 918 818	10 815 054	11 810 254
Auditors remuneration	16 770 993	15 740 807	16 055 514	15 108 534
Bank charges	4 734 083	5 838 363	4 710 514	5 825 634
Cleaning	301 473	226 779	301 473	226 779
Commission paid	41 212 067	33 753 206	41 212 067	33 753 206
Consumables	37 299 829	32 778 296	36 111 722	32 245 549
Entertainment	2 820 176	4 033 552	2 642 666	3 945 852
Fines and penalties	-	5 238	-	-
Hire	132 640 619	122 498 589	132 114 776	122 333 808
Insurance	31 293 160	22 969 090	31 266 968	22 943 210
Conferences and seminars	3 895 345	4 225 581	3 895 345	4 225 581
IT expenses	41 573 764	51 218 266	41 161 606	50 962 395
Marketing	1 754 241	4 513 802	1 738 441	4 513 802
Levies	15 384 384	17 096 693	15 384 384	17 096 693
Magazines, books and periodicals	344 045	1 098 798	344 045	1 098 798
Medical expenses	69 305	-	-	-
Motor vehicle expenses	7 999 360	8 038 765	7 999 360	8 038 765
Fuel and oil	59 132 132	51 372 362	59 132 132	51 372 362
Postage and courier	6 327 683	6 456 197	6 284 735	6 454 160
Printing and stationery	6 677 458	3 890 424	6 602 787	3 888 981
Promotions	748 378	1 296 947	486 768	1 112 410
Project maintenance costs	990 000	-	-	-
License fees	2 766 174	2 581 246	2 766 174	2 581 246
Special events	2 258 981	2 348 582	2 258 981	2 348 582
Subscriptions and membership fees	15 993 835	16 220 473	15 980 625	16 207 240
Telephone and fax	25 273 883	24 842 441	25 036 082	24 586 951
Training	13 343 694	12 787 284	12 927 820	12 700 148
Travel - local	13 187 600	19 174 365	11 908 119	18 247 186
Travel - overseas	1 673 345	1 744 180	1 673 345	1 744 180
Title deed search fees	360 370	649 957	360 370	649 957
Utilities	106 204	144 750	-	-
Uniforms	20 884 805	12 267 186	20 458 260	11 715 864
Lease rentals on operating lease	35 690 070	39 911 894	35 690 070	39 911 894
Placement fees	33 230	21 202	-	-
Bursaries	77 340	231 208	-	-
Remuneration to WARD Committees	8 086 792	7 072 336	8 086 792	7 072 336
Corporates activities	14 041	56 234	-	-
Other expenses	52 401 672	55 518 002	52 383 072	55 518 002
	615 066 200	594 541 913	607 790 067	590 240 359

43. Repairs and maintenance

Infrastructure	185 367 107	193 690 024	185 367 107	193 690 024
Community assets	6 990 990	7 635 086	6 990 990	7 635 086
Heritage assets	9 150	-	9 150	-
Other assets	24 848 282	23 729 211	24 545 220	23 151 325
Computer Equipment	671 514	1 232 797	671 514	1 232 797
Furniture and Office Equipment	5 146 418	7 650 737	5 146 418	7 650 737
Machinery and Equipment	132 206 424	127 315 593	132 206 424	127 315 593
Transport Assets	27 307 789	26 159 378	27 307 789	26 159 378
	382 547 674	387 412 826	382 244 612	386 834 940

The Covid-19 lockdown restrictions have negatively affected the overall repairs and maintenance expenditure performance.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

		Economic entity		Controlling entity	
Figures in Rand		2020	2019 Restated*	2020	2019 Restated*
44. Fair value adjustments					
Investment property (Fair value model)		(1 683 300)	7 543 274	(1 683 300)	7 543 274
Refer to note 3 for details of the valuer.					
45. Auditors' remuneration					
Audit fees		16 770 993	15 740 807	16 055 514	15 108 534
46. Loss on disposal of assets					
Category					
Property, plant and equipment	4	(6 567 862)	(39 357 059)	(6 616 768)	(39 359 422)
Investment property	3	(338 700)	-	(338 700)	-
		(6 906 562)	(39 357 059)	(6 955 468)	(39 359 422)
47. Taxation					
Major components of the tax expense					
Deferred					
Deferred tax derecognised		-	602 051	-	-
Reconciliation of the tax expense					
Reconciliation between accounting surplus and tax expense.					
Accounting surplus		9 419 781	2 550 468	-	-
Tax at the applicable tax rate of 28% (2019: 28%)		2 637 539	714 131	-	-
Tax effect of adjustments on taxable income					
Fines and penalties		-	1 467	-	-
Grant		(17 059 101)	(9 192 075)	-	-
Unrecognised tax benefits		17 059 101	9 190 608	-	-
		2 637 539	714 131	-	-

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019 Restated*	2020	2019 Restated*
48. Cash generated from operations				
Surplus (deficit)	7 051 869	547 221 322	(2 367 911)	545 272 905
Adjustments for:				
Depreciation and amortisation	37 1 709 671 614	1 316 048 225	1 708 735 735	1 314 861 224
Loss on sale of assets	46 6 906 562	39 357 059	6 955 468	39 359 422
Share of profit of associate	7 (105 406 358)	(29 467 290)	(105 406 358)	(29 467 290)
Fair value adjustments	44 1 683 300	(7 543 274)	1 683 300	(7 543 274)
Impairment loss (reversal)		51 531		(996 000)
Debt impairment	39 601 841 517	406 978 233	601 841 517	406 978 233
Movements in operating lease liability	8 51 545	-	-	-
Movements in retirement benefit assets and liabilities	9 (43 998 087)	(4 339 544)	(43 998 087)	(4 339 544)
Movements in provisions	19 132 089 408	5 200 239	130 847 955	5 020 089
PPE (Transfers / Adjustments)	4 -	(279 839 617)	-	(279 839 617)
Deferred tax asset	47 -	602 051	-	-
Other non-cash items	-	(908 563)	-	(908 563)
Changes in working capital:				
Inventories	10 1 606 409	8 350 830	1 631 697	8 353 193
Receivables from exchange transactions - BCMDA	11 286 345	(245 272)	-	-
Movement in Receivables from exchange transactions	14 (768 986 046)	(608 308 672)	(768 986 046)	(608 308 672)
Other receivables from non-exchange transactions	12 (103 111 837)	(176 382 119)	(103 111 818)	(176 382 119)
Trade payables from exchange transactions	22 94 645 494	21 631 008	93 534 417	22 802 366
Movement in VAT receivables	13 68 802 562	(61 687 127)	68 994 302	(61 587 237)
Unspent conditional grants and receipts	17 320 896 287	(34 742 076)	319 956 454	(37 686 761)
Consumer deposits	23 6 034 430	4 096 406	6 034 430	4 096 406
	1 930 116 545	1 145 044 356	1 916 345 055	1 139 684 761

49. Operating leases - as lessee (expense)

Minimum lease payments due - Buildings

- within one year	2 695 556	12 978 992	2 695 556	12 978 992
- in second to fifth year inclusive	16 734	2 493 034	16 734	2 493 034
	2 712 290	15 472 026	2 712 290	15 472 026

Operating lease payments represent rentals payable by the entity for certain of its office properties.

Leases are negotiated for an average term of five years and rental escalates at annual fixed rates that vary between 0% and 12% annually.

No contingent rent is payable.

There were no sublease agreement between BCMM and third parties

Minimum lease payments due - Printing Machines

- within one year	4 212 383	6 843 104	4 212 383	6 843 104
- in second to fifth year inclusive	109 580	4 497 985	109 580	4 497 985
	4 321 963	11 341 089	4 321 963	11 341 089

Operating lease payments represent rentals payable by the entity for certain of its printing machinery.

Leases are negotiated for an average term of three years and there is no rental escalation.

No contingent rent is payable.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*
50. Commitments				
Authorised capital expenditure				
Already contracted for but not provided for				
• Community (including housing)	232 734 379	299 669 951	232 734 379	299 669 951
• Infrastructure	84 047 160	286 641 420	84 047 160	286 641 420
• Other	100 163 333	44 979 996	100 163 333	44 979 996
	416 944 872	631 291 367	416 944 872	631 291 367
Total capital commitments				
Already contracted for but not provided for	416 944 872	631 291 367	416 944 872	631 291 367
Authorised operational expenditure				
Already contracted for but not provided for				
Operating lease - Premises	3 081 925	274 691	-	-
Operating lease - IT Equipment	149 009	122 065	-	-
Hosting of internet and website services	-	394 016	-	-
Provision of Security Services EL Beachfront	1 459 778	342 141	-	-
System Upgrade on mSCOA compliance	1 160 290	173 650	-	-
Feasibility Study for the Development of Signal Hill, East London	-	484 410	-	-
Court Crescent Construction - Project Management Services	4 703 841	5 452 653	-	-
Supply and delivery of cloud based backup and recovery services	139 852	272 349	-	-
Water World Construction - Project Management Fees	3 292 591	4 103 776	-	-
Provision of Internal Audit Services	325 149	-	-	-
Provision of Unified Communication - Transversal Contract	30 574	-	-	-
Provision of Pre and Post Medical Examination DEFF participants	112 465	-	-	-
Supply and Implementation of Microsoft 365	654 903	-	-	-
Website hosting and maintenance	124 200	-	-	-
Provision of Strategy Consulting Services	15 721	-	-	-
Bid Adjudication Committee - BCMDA	82 560 038	-	-	-
Proposed Upgrade of Water World	95 704 369	-	-	-
Business Case for Development of Duncan Village	920 000	-	-	-
Urban and Environmental Upgrading, Landscaping and Maintenance of Leaches Bay - Civil Engineering	231 300	-	-	-
Urban and Environmental Upgrading, Landscaping and Maintenance Leaches Bay- GB	315 300	-	-	-
Urban and Environmental Upgrading, Landscaping and Maintenance in Marina Glen B (Ebuhlantia)	629 728	-	-	-
Supply and delivery of Computer Equipment	112 603	-	-	-
Accredited Fundraising Training for 10 NPO Organisations	49 980	-	-	-
Office Disinfection and Sanitising Services	230 230	-	-	-
Supply and Delivery of Personal Protective Equipment	207 027	-	-	-
Provision of MFMP (CPMD)	116 000	-	-	-
Provision of Samtrac Training	54 960	-	-	-
ITIL FOUNDATION EXAM	9 085	-	-	-
Bookkeeping Training for CSI NPO's	17 250	-	-	-
Supply and Delivery of Stationery	24 274	-	-	-
Printing of Annual Report	7 786	-	-	-
Supply and delivery of branding and marketing material	17 900	-	-	-

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019 Restated*	2020	2019 Restated*
50. Prior-year adjustments (continued)				
Provision of Office Signage	8 787	-	-	-
Provision of data for employees	10 540	-	-	-
Provision of group pictures	7 500	-	-	-
Printing of BCMDA Investment Booklet	13 067	-	-	-
Provision of Signage for CSI Projects	7 992	-	-	-
Branded Notice Boards	29 967	-	-	-
	196 535 981	11 619 751	-	-

Total operational commitments

Already contracted for but not provided for	196 535 981	11 619 751	-	-
---	-------------	------------	---	---

This committed expenditure relates to Infrastructure, Community and other Property, Plant and Equipment. Refer to note 4 Property, plant and equipment.
The above amounts exclude VAT.

Operating leases - as lessee (expense)

Minimum lease payments due

- within one year	1 243 463	338 623	-	-
- in second to fifth year inclusive	1 921 654	67 311	-	-
	3 165 117	405 934	-	-

Operating lease payments represent rentals payable by the Agency in relation to office accommodation and two multipurpose printer/copier. Office accommodation lease is for a period three years with an escalation clause of 7% per annum. Printers/copiers rental agreement is for a period of three years with no escalation clause.

51. Contingencies

Litigation issues	1 185 951 582	1 208 092 110	1 185 951 582	1 208 092 110
These are instances whereby legal claims have been instituted against Council by various third parties. Legal advice is sought and Council will defend claims where so advised.				
Labour issues	64 395 053	13 847 481	64 395 053	13 847 481
These are instances whereby labour disputes have resulted in possible claims by employees.				
Insurance issues	44 876 958	74 742 247	44 876 958	74 742 247
These are instances whereby insurance claims have been instituted against Council by various third parties. Advice is sought from Council's insurers whether BCMM is liable. If BCMM is liable, then Council's insurers will determine the settlement amount to be paid. If BCMM is not liable, then Council's insurers will legally defend the matter on Council's behalf.				
	1 295 223 593	1 296 681 838	1 295 223 593	1 296 681 838

Contingent assets

Due to the uncertainty relating to the inflow of the economic benefit / service potential, BCMM has no contingent assets.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

52. Related parties

Relationships	
Controlled entities	Buffalo City Metropolitan Development Agency SOC Ltd
Associates	Refer to note 7
Members of key management	Refer to note 35 and 36

Buffalo City Metropolitan Development Agency (BCMDA) (a SOC Ltd company registration no 2016/168330/30).

The BCMDA was incorporated on 20 April 2016 as a Municipal Entity of BCMM. BCMDA is 100% controlled by BCMM.

BCMM relationship with BCMDA: Subsidiary - Buffalo City Metropolitan Development Agency (SOC) Ltd.

The entity issued grants of R39 352 506 to BCMDA during the current financial year (2019: R29 847 217) (VAT exclusive).

BCMDA has trade receivables of R5 752 632 (2019: R1 029 620) and trade payables of R0 (2019: R0) which relates to transactions with BCMM.

BCMM reimbursed BCMDA with an amount of R13 811 170 (2019: R490 958) (VAT exclusive) for the implementation of the BCMDA Water World Project.

Agency fees amounting to R1 104 893 (2019: R404 365) (VAT exclusive) were paid to BCMDA for projects implemented and administered on behalf of BCMM.

BCMDA has paid no consumer accounts during the current financial year.

There are no share based payments in respect of BCMDA.

There are no post-employment benefits for key personnel in respect of BCMDA.

BCMM paid an amount of R3 246 476 (2019: R3 240 366) VAT inclusive in respect of grass mowing, municipal services and office rental for the 2019/20 financial year to the East London IDZ.

All Councillors and Employees have disclosed their interest in related parties and no one has the ability to control or exercise significant influence over Council in making financial and operating decisions.

Key management information - BCMDA

Class	Description	Number
Non-executive board members	Board of Directors	8
Audit Committee	Shared with parent municipality	6
Executive management	Agency Management	4
Councillors	Shareholder Representative	1

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

53. Prior-year adjustments

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

Statement of financial position

Economic entity - Accumulated surplus prior to 2019

	Note	Error reference	As previously reported	Correction of error	Restated
Opening balance			10 550 324 970	-	10 550 324 970
PPE - Various	4	b	-	(15 621 169)	(15 621 169)
Investment property	3	b	-	1 370 020	1 370 020
VAT receivable	13	c	-	(3 863 563)	(3 863 563)
Payables from exchange transactions - Trade payables	22	d	-	587 463	587 463
Payables from exchange transactions - Other creditors	22	e	-	6 323 398	6 323 398
Payables from exchange transactions - Retention monies	22	d	-	1 307 954	1 307 954
Receivables from non-exchange transactions - Other receivables (billing)	12	r	-	(30 000)	(30 000)
Receivables from exchange transactions - Accrued income	14	a	-	5 820 109	5 820 109
Receivables from exchange transactions - Water	14	i,s	-	(2 357 041)	(2 357 041)
Receivables from non-exchange transactions - Property rates	12	f,g	-	(3 860 636)	(3 860 636)
Inventory - Write offs	10	l	-	(1 890 995)	(1 890 995)
Current Tax Payable - BCMDA			-	702 236	702 236
			10 550 324 970	(11 512 224)	10 538 812 746

Economic entity - 2019

	Note	Error reference	As previously reported	Correction of error	Restated
Revaluation reserve					
Opening balance			9 866 999 401	-	9 866 999 401
PPE - Various	4	b	-	10 412 262	10 412 262
			9 866 999 401	10 412 262	9 877 411 663

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019 Restated*	2020	2019 Restated*

53. Prior-year adjustments (continued)					
Economic entity - 2020					
	Note	Error reference	As previously reported	Correction of error	Restated
Investment properties	3	m	401 546 000	986 000	402 532 000
PPE - Plant and equipment	4	b	44 180 537	1 381 499	45 562 036
PPE - Furniture and fittings	4	b	50 232 491	16 928 614	67 161 105
PPE - Electricity infrastructure	4	b	3 778 431 010	63 275 854	3 841 706 864
PPE - Other properties	4	b	934 564 478	10 700 398	945 264 876
PPE - Work in progress	4	b	4 038 166 366	(437 903 835)	3 600 262 531
PPE - Recreational facilities	4	b	280 781 629	31 849 115	312 630 744
PPE - Roads	4	b	4 798 446 636	150 371 618	4 948 818 254
PPE - Wastewater network	4	b	1 742 607 715	34 464 416	1 777 072 131
PPE - Water network	4	b	2 598 292 775	101 128 944	2 699 421 719
PPE - Community buildings	4	b	1 039 008 443	3 661 068	1 042 669 511
Inventories (write-downs)	10	l	(636 588)	(2 738 790)	(3 375 378)
VAT receivable	13	c	171 155 706	677 231	171 832 937
Payables from exchange transactions - Retention monies	22	d	(107 007 205)	1 307 954	(105 699 251)
Payables from exchange transactions - Other creditors	22	e,z	(83 812 430)	(34 365 493)	(118 177 923)
Payables from exchange transactions - Trade payables	22	d	(658 157 379)	977 512	(657 179 867)
Receivables from exchange transactions - BCMDA	11		812 054	(465 019)	347 035
Receivables from non-exchange transactions - Property rates	12	f,g,i	584 203 499	19 005 373	603 208 872
Receivables from non-exchange transactions - Other billing	12	i,p,r	187 964 156	12 034 724	199 998 880
Receivables from non-exchange - Impairment	12	q	(443 371 621)	(22 929 308)	(466 300 929)
Receivables from exchange transactions - Accrued income	14	a	388 396 859	5 820 109	394 216 968
Receivables from exchange transactions - Electricity	14	i	387 048 444	13 228 376	400 276 820
Receivables from exchange transactions - Refuse	14	i	272 779 500	72 807 665	345 587 165
Receivables from exchange transactions - Sewerage	14	i	239 428 552	28 725 056	268 153 608
Receivables from exchange transactions - Water	14	i,s	474 123 459	60 018 775	534 142 234
Receivables from exchange transactions - Allowance for impairment - Electricity	14	q,t	(224 907 641)	(2 175 540)	(227 083 181)
Receivables from exchange transactions - Allowance for impairment - Water	14	q,t	(275 228 833)	(18 344 258)	(293 573 091)
Receivables from exchange transactions - Allowance for impairment - Waste water	14	q,t	(134 798 546)	(14 354 322)	(149 152 868)
Receivables from exchange transactions - Allowance for impairment - Refuse	14	q,t	(153 575 167)	(20 480 820)	(174 055 987)
Current Tax Payable - BCMDA		0	(702 236)	702 236	-
Revaluation reserve	16	b	(9 866 999 401)	(10 412 262)	(9 877 411 663)
Accumulated surplus			(11 020 151 176)	(65 882 889)	(11 086 034 065)
			-	-	-

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019 Restated*	2020	2019 Restated*
53. Prior-year adjustments (continued)				
Summary of Statement of Financial Position				
	Error reference	As previously reported	Correction of error	Restated
Inventories	10 l	37 177 518	(2 738 790)	34 438 728
Receivables from exchange transactions - BCMDA	11	812 054	(465 019)	347 035
Receivables from non-exchange transactions	12 f,g,i,p,q,r, t	412 450 766	8 110 789	420 561 555
VAT receivable	13 c	171 155 706	677 231	171 832 937
Receivables from exchange transactions	14 a,i,q,s,t	973 266 627	125 245 041	1 098 511 668
Cash and cash equivalents	15	1 171 632 915	-	1 171 632 915
Investment properties	3 m	401 546 000	986 000	402 532 000
Property, plant and equipment	4 b	19 744 457 335	(24 142 310)	19 720 315 025
Intangible assets	5	19 903 241	-	19 903 241
Heritage assets	6	50 513 440	-	50 513 440
Investments in associates	7	597 392 286	-	597 392 286
Borrowings	18	(345 554 088)	-	(345 554 088)
Current Tax Payable - BCMDA		(702 236)	702 236	-
Trade payables from exchange transactions	22 d,e,z	(1 086 207 575)	(32 080 027)	(1 118 287 602)
Consumer deposits	23	(64 109 019)	-	(64 109 019)
Employee benefit obligation	9	(728 815 087)	-	(728 815 087)
Unspent conditional grants and receipts	17	(210 610 282)	-	(210 610 282)
Provisions	19	(257 159 024)	-	(257 159 024)
Revaluation reserve	16 b	(9 866 999 401)	(10 412 262)	(9 877 411 663)
Accumulated surplus		(11 020 151 176)	(65 882 889)	(11 086 034 065)
		-	-	-

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

53. Prior-year adjustments (continued)

Detail of Statement of financial performance

Economic entity - 2019

	Note	Error reference	As previously reported	Correction of error	Re- classification	Restated
Contracted services - Outsourced Services - Alien Vegetation Control	41	h	-	-	4 429 961	4 429 961
Contracted services - Outsourced Services - Animal Care	41	h	-	-	1 500 000	1 500 000
Contracted services - Outsourced Services - Burial Services	41	h	-	-	307 620	307 620
Contracted services - Outsourced Services - Catering Services	41	h	-	-	10 744 640	10 744 640
Contracted services - Outsourced Services - Cleaning Services	41	h	-	-	290 648	290 648
Contracted services - Outsourced Services - Clearing and Grass Cutting Services	41	h	-	-	5 062 058	5 062 058
Contracted services - Outsourced Services - Hygiene Services	41	h	-	-	30 763	30 763
Contracted services - Outsourced Services - Internal Auditors	41	h	-	-	762 467	762 467
Contracted services - Outsourced Services - Litter Picking and Street Cleaning	41	h	-	-	9 172 968	9 172 968
Contracted services - Outsourced Services - Meter Management	41	h	-	-	1 374 977	1 374 977
Contracted services - Outsourced Services - Medical Services (Medical Health Services & Support)	41	h	-	-	50 242	50 242
Contracted services - Outsourced Services - Personnel and Labour	41	h	-	-	16 913 587	16 913 587
Contracted services - Outsourced Services - Professional Staff	41	h	-	-	25 253 830	25 253 830
Contracted services - Outsourced Services - Connection/Dis-connection	41	h	-	-	12 765 758	12 765 758
Contracted services - Outsourced Services - Refuse Removal	41	h	-	-	23 396 340	23 396 340
Contracted services - Outsourced Services - Removal of Structures and Illegal Signs	41	h	-	-	530 197	530 197
Contracted services - Outsourced Services - Researcher	41	h	-	-	3 323	3 323
Contracted services - Outsourced Services - Security Services	41	h	-	-	720 054	720 054
Contracted services - Outsourced Services - Sewerage Services	41	h	-	-	170 600	170 600
Contracted services - Outsourced Services - Traffic Fines Management	41	h	-	-	3 061 935	3 061 935
Contracted services - Outsourced Services - Transport Services	41	h	-	-	622 722	622 722
Contracted services - Consultants and Professional Services - Business and Advisory	41	h	932 270	1 327 886	31 786 520	34 046 676

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019 Restated*	2020	2019 Restated*
53. Prior-year adjustments (continued)				
Contracted services - Consultants and Professional Services - Infrastructure and Planning	41 h	- (45 961)	4 857 121	4 811 160
Contracted services - Consultants and Professional Services - Laboratory Services	41 h	-	393 532	393 532
Contracted services - Consultants and Professional Services - Legal Cost	41 h	22 500	33 980 011	34 002 511
Contracted services - Contractors - Artists and Performers	41 h	-	377 286	377 286
Contracted services - Contractors - Audio-visual Services	41 h	-	190 683	190 683
Contracted services - Contractors - Building	41 h	-	9 350 313	9 350 313
Contracted services - Contractors - Electrical	41 h	(1 353 343)	9 903 905	8 550 562
Contracted services - Contractors - Event Promoters	41 h	-	11 064 366	11 064 366
Contracted services - Contractors - Fire Services	41 h	-	1 950	1 950
Contracted services - Contractors - Inspection Fees	41 h	-	369 284	369 284
Contracted services - Contractors - Maintenance of Unspecified Assets	41 h	-	4 180	4 180
Contracted services - Contractors - Management of Informal Settlements	41 h	-	37 632	37 632
Contracted services - Contractors - Medical Services	41 h	-	4 782	4 782
Contracted services - Contractors - Pest Control and Fumigation	41 h	-	50 528	50 528
Contracted services - Contractors - Plants, Flowers and Other Decorations	41 h	-	489 630	489 630
Contracted services - Contractors - Safeguard and Security	41 h	-	3 039 651	3 039 651
Contracted services - Contractors - Sewerage Services	41 h	-	60 084 724	60 084 724
Contracted services - Contractors - Stage and Sound Crew	41 h	-	109 764	109 764
Employee related cost - Basic emoluments	35 e,h	1 268 967 691	34 482 112	(1 221 364)
Employee related cost - Pension fund contributions	35 e,h	215 694 758	5 133 803	(1)
Employee related cost - Overtime payments	35 e	136 607 351	1 072 977	-
General expenses - Advertising	42 h	11 905 546	-	13 272
General expenses - Assessment rates & municipal charges	42 h	17 256 871	-	(17 256 871)
General expenses - Bank charges	42 c	5 202 859	635 504	-
General expenses - Cleaning	42 h	517 427	-	(290 648)
General expenses - Commission paid	42 h	39 072 491	(5 319 285)	-
General expenses - Legal costs	42 h	33 563 385	-	(33 563 385)
General expenses - Consulting and professional fees	42 h	29 806 211	-	(29 806 211)
General expenses - Consumables	42 h	39 269 740	-	(6 491 444)
General expenses - Entertainment	42 h	12 940 212	-	(8 906 660)
General expenses - Hire (Labour and plant)	42 h	4 101 147	118 523 874	(126 432)

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019 Restated*	2020	2019 Restated*
53. Prior-year adjustments (continued)				
General expenses - Insurance	42 h	22 969 090	-	22 969 090
General expenses - Motor vehicle expenses	42 h	4 142 036	3 896 729	8 038 765
General expenses - Postage and courier	42 h	6 454 752	1 445	6 456 197
General expenses - Printing and stationary	42 h	7 139 906	(3 249 482)	3 890 424
General expenses - Promotions	42 h	1 601 212	(304 265)	1 296 947
General expenses - Special events	42 h	53 200 350	(50 851 768)	2 348 582
General expenses - Security (Guarding of municipal property)	42 h	3 759 705	(3 759 705)	-
General expenses - Training	42 h	23 715 155	(10 927 871)	12 787 284
General expenses - Travel (Local)	42 h	18 807 117	418 660	19 174 365
General expenses - Lease rentals on operating lease	42 h	158 435 768	(118 523 874)	39 911 894
General expenses - Placement fees	42	261 091	(239 889)	21 202
General expenses - Disconnections	42 h	12 765 758	(12 765 758)	-
General expenses - Other expenses	42 h,z	186 603 883	404 365	55 518 002
General expenses - Subscriptions and membership fees	42 h	14 940 519	1 279 954	16 220 473
Grants and subsidies paid - Social Welfare Grant (Poor relief)	32 h	15 910 605	(2 054 075)	(13 856 530)
Grants and subsidies paid - Housing support	32 h	-	6 000 246	6 000 246
Grants and subsidies paid - Rural development	32 h	-	9 552 902	9 552 902
Grants and subsidies paid - Social relief	32 h	-	25 768 220	25 768 220
Depreciation and amortisation - Property, plant and equipment	37 b	1 291 096 079	19 225 771	1 310 321 850
Debt Impairment - Contributions to debt impairment - Exchange	39 i,t	373 182 710	33 795 523	406 978 233
Property rates - Agricultural	31 f,g	(5 165 629)	135 604	(5 030 025)
Property rates - Commercial	31 f,g	(599 781 138)	2 106 684	(597 674 454)
Property rates - Industrial	31 f,g	(113 819 480)	2 751 576	(111 067 904)
Property rates - Educational	31 f,g	(15 472 468)	19 775	(15 452 693)
Property rates - Residential	31 f,g	(551 093 984)	(11 929 132)	(563 023 116)
Property rates - Vacant land	31 f,g	(50 641 035)	2 665 024	(47 976 011)
Service charges - Sale of water	25 i,s,y	(498 963 346)	(48 071 299)	(567 466 762)
Service charges - Sale of electricity	25 i	(1 716 442 537)	(8 156 513)	(1 724 599 050)
Service charges - Refuse	25 i	(251 916 126)	(58 184 842)	(310 100 968)
Service charges - Sewerage and sanitation - Non Pans	25 i,o	(328 902 160)	47 084 588	(281 817 572)
Service charges - Sewerage and sanitation - Pans	25 o	-	(65 395 226)	(65 395 226)
Service charges - Other service charges	25 u	(27 688 363)	-	(43 987 566)
Service charges - Less: Income forgone	25 y	-	20 432 117	20 432 117
Other revenue - (exchange) - Service connections and reconnections	29 u	(43 987 565)	-	-
Other revenue - (exchange) - Sale of property	29 n	(7 011 360)	7 011 360	-
Other revenue - (exchange) - Fire brigade	29	(137 977)	-	(123 245)
Rental of facilities and equipment	26 p,x	(20 704 443)	2 065 174	(20 439 799)
Other revenue - (exchange) - Sundry income	29 w	(15 335 932)	1 565 397	(13 785 267)
Other revenue - (exchange) - Sale of scrap and waste	29 x	(2 889 075)	(3 033 416)	(5 922 491)
Other revenue - (exchange) - Cold storage fees	29 x	(1 800 529)	-	-

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand		Economic entity		Controlling entity	
		2020	2019 Restated*	2020	2019 Restated*
53. Prior-year adjustments (continued)					
Interest received - Trade and other receivables	30 i	(67 093 405)	2 983 384	-	(64 110 021)
Interest (non-exchange) - Receivables	28 h,i	-	(26 119 274)	-	(26 119 274)
Other revenue - (non-exchange) - Fire levy	34 i	(57 376 826)	(6 012 347)	-	(63 389 173)
Repairs and maintenance	43 h	392 895 827	(871 986)	(4 611 015)	387 412 826
Licences and permits (non-exchange) - Agency fees	27	(14 300 355)	-	-	(14 206 775)
Fair value adjustment	h	(8 923 274)	384 000	996 000	(7 543 274)
Gain/(loss) on disposal of assets	n	46 324 822	(6 965 400)	(2 363)	39 357 059
Reversal of impairments	h	18 537	-	(996 000)	(977 463)
Inventory losses/write downs	l	-	847 799	-	847 799
Change in surplus for the year		-	(77 395 133)	-	-
Summary of Statement of Financial Performance					
	Error reference	As previously reported	Correction of error	Re-classification	Restated
Service charges	25 i,o,s	(2 823 912 532)	(132 723 292)	(43 987 565)	(3 000 623 389)
Rental of facilities and equipment	26 p	(20 704 443)	2 065 173	(1 800 529)	(20 439 799)
Fees earned		(619 583)	-	-	(619 583)
Other revenue - (exchange)	29 n	(161 944 914)	5 449 761	45 788 094	(110 707 059)
Interest received	30 i	(165 783 829)	2 983 384	-	(162 800 445)
Property rates	31 f,g,i	(1 295 502 964)	(4 250 469)	-	(1 299 753 433)
Licences and Permits (non-exchange)		(14 300 355)	(856 061)	-	(15 156 416)
Interest (non-exchange)	28 n	-	(26 119 274)	-	(26 119 274)
Government grants & subsidies	33	(1 919 432 295)	-	-	(1 919 432 296)
Other revenue - (non-exchange)	34 i	(58 326 467)	(5 062 706)	-	(63 389 173)
Public contributions and donations - PPE		(279 066 643)	-	-	(279 066 643)
Fines		(24 938 282)	-	-	(24 938 282)
Fuel levy		(513 844 000)	-	-	(513 844 000)
Employee related cost	35 e,h	2 049 668 803	40 688 892	(1 221 365)	2 089 136 330
Remuneration of councillors	36	63 065 986	-	-	63 065 986
Depreciation and amortisation	37 b	1 296 822 454	19 225 771	-	1 316 048 225
Finance costs	38	38 467 001	-	-	38 467 001
Debt Impairment	39 i,q,t	373 182 710	33 795 524	-	406 978 233
Repairs and maintenance	43 h	392 895 827	(871 986)	(4 611 015)	387 412 826
Bulk purchases	40	1 628 956 804	-	-	1 628 956 804
Contracted services	41 h	6 449 136	(71 418)	283 260 552	289 638 270
Grants and subsidies paid	32 h	47 193 237	(2 054 075)	27 464 838	72 604 000
General expenses	42 h	903 293 316	(3 860 756)	(304 890 647)	594 541 913
Loss on disposal of assets and liabilities	n	46 324 822	(6 965 400)	(2 363)	39 357 059
Fair value adjustment	44 h	(8 923 274)	384 000	996 000	(7 543 274)
Reversal of impairments	h,m	18 537	-	(996 000)	(977 463)
Share of surplus of associate accounted for under the equity method		(29 467 290)	-	-	(29 467 290)
Inventory losses/write downs	l	-	847 799	-	847 799
		(470 428 238)	(77 395 133)	-	(547 823 373)

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

53. Prior-year adjustments (continued)

Cash flow statement

Economic entity - 2019

	Note	As previously reported	Correction of error	Restated
Cash flow from operating activities				
Sale of goods and services	65	4 564 490 869	(39 416 390)	4 525 074 479
Government grants & subsidies	65	1 916 450 674	-	1 916 450 674
Interest income	30	165 344 665	23 135 890	188 480 555
Employee costs & Councillors remuneration	35&36	(2 094 239 786)	(39 467 527)	(2 133 707 313)
Suppliers	65	(3 362 444 351)	44 297 711	(3 318 146 640)
Finance costs	38	(38 466 994)	-	(38 466 994)
		1 151 135 077	(11 450 316)	1 139 684 761
Cash flow from investing activities				
Purchase of property, plant and equipment	4	(1 757 539 625)	4 484 916	(1 753 054 709)
Proceeds from sale of property, plant and equipment	4	2 226 048	6 965 400	9 191 448
Purchases of heritage assets	6	(733 565)	-	(733 565)
		(1 756 047 142)	11 450 316	(1 744 596 826)
Cash flow from financing activities				
Net movement on borrowings	18	(52 572 023)	-	(52 572 023)
Net cash flows used in investing activities		(52 572 023)	-	(52 572 023)
Net cash flow		As previously reported	Correction of error	
Net (decrease)/increase in cash and cash equivalents		(657 484 085)	(3)	(657 484 088)
Cash and cash equivalents at the beginning of the year		1 825 129 600	-	1 825 129 600
Cash and cash equivalents at the end of the year		1 167 645 515	(3)	1 167 645 512

Other disclosure items

	Note	As previously reported	Correction of error	
Contingent liabilities - Litigation issues	51 j	59 242 110	1 148 850 000	1 208 092 110
Contingent liabilities - Labour issues	51 k	13 847 481	750 000	14 597 481
Commitments - Other	50	5 477 571	39 502 425	44 979 996
Irregular expenditure	60	2 776 697 189	91 016 805	2 867 713 994
		- 2 855 264 351	1 280 119 230	4 135 383 581

Explanations of errors

a) Reconciliations performed between department of Health and BCMM to ensure completeness of prior year primary health care debt.

b) Reclassification of work in progress not recognised as property, plant and equipment by the Municipality in previous financial years due to various project management matters that prevented capitalisation at the time.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

53. Prior-year adjustments (continued)

- c) A Value Added Tax review and recovery exercise was performed in respect of 2013/07 to 2018/06, which resulted in a correction of error.
- d) Adjust balance on retention, incorrectly allocated when paid in respect of prior years.
- e) Backpay relating to prior financial years as a result of Job Evaluations results.
- f) Valuation appeals were finalised in August 2019 and adjustments were processed with effect from 1 July 2018.
- g) The objections for the third Supplementary roll implemented in 2019/20, were finalised and processed in September 2020 and adjustments in some cases were effective from the 2018/19 financial year.
- h) Management did a review of the disclosure of certain items previously disclosed as general expenses and deemed it more correct to reclassify to contracted services and grants and subsidies paid.
- i) These adjustment relates to the reversal of indigent subsidies, write offs and raising of interest on overdue debt for beneficiaries that did not qualify for the Indigent Subsidy.
- j) Amount of 1 150 000 000 included as 1 150 000 iro 2019 disclosure.
- k) Amount erroneously not included in 2019 AFS.
- l) Inventory write downs of R1 890 995 reflected during the 17/18 financial year and R847 799 reflecting in the 18/19 financial year, were incorrectly captured in 19/20 financial year. The write downs were captured after financial year end and reflected in 19/20 financial year.
- m) Correction of the zoning of investment property resulting in fair value gains in the prior year.
- n) Properties disposed of previously disclosed incorrectly as other revenue, corrected to be disclosed under gains/loss on disposal of assets.
- o) Revenue was reallocated to provide for the differentiation between pan and non pan charges.
- p) Billing adjustments effected against lessee accounts
- q) Adjustments processed to Debtor accounts resulting in a recalculation of the reported impairment figure.
- r) Land Administration raised a land sale in error on the land in Tyutyu Village that was utilised to build the RDP houses.
- s) Billing adjustments effected against debtor accounts.
- t) Correct the opening balance on impairment for receivables for exchange and non-exchange transactions.
- u) Electricity connections, reconnections fees and meter reading fees were incorrectly classified as Other revenue. The correct classification according to mSCOA is Service charges.
- w) This correction of prior period error related to the correct classification of interest that was incorrectly recognised as Sundry income.
- x) This item was incorrectly classified as Other revenue. The correct classification for this item is Rental of Facilities and equipment.
- y) Water supplied to rural communities in 2018/2019 that are deemed to be non-indigent and the revenue is not recoverable.
- z) An invoice for work certified after the 2018/19 financial year which relates to work completed in the previous year.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

54. Risk management

Financial risk management

The economic entity's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The municipality's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the municipality's financial performance. Risk Management is carried out under policies approved by the accounting officer. The accounting officer provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity.

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The entity manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Controlling entity

Interest rate risk

As the entity has no significant interest-bearing assets, the municipality's income and operating cash flows are substantially independent of changes in market interest rates.

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the entity to cash flow interest rate risk. Borrowings issued at fixed rates expose the entity to fair value interest rate risk.

The risk of a decrease in interest rate will place additional pressure to funding operations as a result of less income being realised from interest received.

Cash flow interest rate risk

Financial instrument	Current interest rate	Due in less than a year	Due in one to two years	Due in two to three years	Due in three to four years	Due after five years
Trade and other receivables - normal credit terms	8.25 %	1 789 329 589	-	-	-	-
Cash in current banking institutions	3.25 %	254 757 922	-	-	-	-
Call Investments deposits	6.33 %	1 118 866 689	-	-	-	-
Trade and other payables - extended credit terms	9.75 %	936 580 434	-	-	-	-
Long term borrowings	9.41 %	54 395 605	45 190 555	49 140 564	30 246 178	108 607 630

These amounts best represent maximum exposure to credit risk at the end of the reporting period without taking account of any collateral held or other credit enhancements.

Sensitivity Analysis of Market Risk

Effect of a 1% change in the interest rate	Current interest rate	Value at 30 June 2020	Discounted value at current rate	Discounted value at current rate (-1%)	Discounted value at current rate (+1%)	
Trade and other receivables - normal credit terms	8.25 %	1 789 329 589	1 652 960 359	1 668 372 577	1 637 830 287	-
Trade and other payables - extended credit terms	9.75 %	936 580 434	853 376 250	861 223 388	845 670 821	-
Cash in current banking institutions	3.25 %	254 757 922	246 738 908	249 152 002	244 372 107	-

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019 Restated*	2020	2019 Restated*

54. Risk management (continued)

Call investment deposits	6.33 %	1 118 866 689	1 052 258 712	1 062 248 827	1 042 454 755	-
Short term borrowings	9.41 %	54 395 605	49 717 215	50 175 819	49 266 919	-
Long term borrowings	9.41 %	233 184 927	213 129 446	215 095 404	211 199 101	-

The sensitivity analysis was based on the assumption that a 1% increase or decrease in the interest rate could occur.

The method used to prepare the sensitivity analysis was based on the discounted value of the respective cash flow for 1 year using the respective current interest rate in order to determine the effect of applicable market risk of a 1% increase or decrease in the interest rate.

Credit risk

Credit risk consists mainly of cash deposits (refer note 15) and trade debtors (refer note 12 and 14). The entity only deposits cash with major banks with high quality credit standing and limits exposure to any counter-party.

Capital risk management

The municipality's objectives when managing capital are to safeguard the municipality's ability to continue as a going concern in order to provide returns for members and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the entity consists of debt, which includes the borrowings, cash and cash equivalents and equity.

There have been no changes to what the entity manages as capital, the strategy for capital maintenance or externally imposed capital requirements from the previous year.

The entity is in an enviable position of having access to additional long term facilities in order to invest in the replacement of infrastructure assets.

55. Going concern

The unaudited consolidated annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

56. Events after the reporting date

On 15 March 2020 a national State of Disaster in terms of the Disaster Management Act was declared. The outbreak of COVID-19 resulted in the implementation of numerous measures to try to contain the virus. The resulting impact of the virus has led to a decline in the country's economy, exports, a drop in tourist arrivals and a severe impact on production, business viability and job creation and retention. These measures will need to be enforced and remain in place over the coming months ahead. This will continue to impose an adverse effect on the Municipality's service delivery and financial situation together with a severe strain on our local budget. We do not yet know the full extent of the impact on the entity, our consumers and the economy as a whole, but the effect thereof could materially impact our operations over the forthcoming months. We will therefore continue to monitor the COVID-19 situation very closely.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

57. COVID-19 Impact

Assets

The entity experienced a huge temporal change of use of some assets that are service delivery vehicles to assist in the COVID-19 related programmes. The impact on construction will be visible in the following financial year because COVID-19 has only impacted the last quarter of the 2019/2020 financial year. A decrease in the cost of replacing infrastructure assets has also been as a result of declining market values as a result of lockdown.

COVID-19 did not materially affect the physical verification because arrangements were made with the asset custodians for verification. All the New assets were verified before including in the asset register.

Liabilities

There are no COVID-19 impacts affecting Liabilities for the financial year under review.

Revenue

1. Traffic Services closed on the 27 March 2020 and traffic operations only resumed on 1st June 2020 with limited services as well as disruptions in operations as buildings were being closed on a regular basis for decontamination.
2. Traffic services suspended from 27 March 2020 to 01 June 2020 were the renewal and applications of motor vehicle licences and registrations, renewals and applications of driving licences, learners, roadworthy certificates, testing of applicants and Professional Driving Permits.
3. Traffic Services were not yet fully operational by the end of the financial year meaning less members of the public were allowed to enter the building at a given time. The department uses an appointment system where the public are given a date and time to come in and renew or register their vehicles, apply for drivers' learners and PRPDs and roadworthy of vehicles this is to ensure compliance with the COVID-19 regulations.
4. Members of the public were unable to pay for traffic fines, fines were not issued, cases pending at court were placed on hold and the mobile office could not be deployed for operations.
5. The SMS fine notification system were placed on hold as staff would not have been able to answer queries from the public either telephonically or face to face interaction during the level 5 & 4 restrictions.
6. The appointment of process servers was placed on hold as well due to the Lockdown as they would be contravening the COVID-19 restrictions when serving summons.
7. Revenue on grants can only be recognized when conditions are met. Covid-19 lockdown restrictions have negatively affected performance on grants as it delayed and disrupted implementation of engineering and construction projects.
8. The entity suspended all credit control actions (disconnections and complete blocking) and implemented the partial blocking on the prepayment system during the lockdown period, this has resulted in collection rate decline. In addition to the effects of the lockdown what further impacted the collection rate was the punitive tariffs on water due to the current drought situation. The table below indicates the trend in the collection as well as the payment.

PERIOD	COLLECTION RATIO	PAYMENTS (incl. VAT)
Jan-20	86.81%	327,398,082
Feb-20	82.85%	274,087,903
Mar-20	82.44%	331,645,553
Apr-20	80.18%	255,106,656
May-20	81.18%	287,511,508

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019 Restated*	2020	2019 Restated*

57. COVID-19 Impact (continued)

Jun-20	81.63%		322,648,979
Jul-20	50.26%		265,967,547
Aug-20	52.94%		383,914,450

9. Due to restrictions on social distancing, meter reading was suspended but consumers were able to take their own readings and email them to Meterreading@buffalocity.gov.za. Those consumers that don't have access to emails were able to call the call centre and 043 705 3080 to submit their meter readings.

10. The City has experienced decline in revenue collection. There was also a decrease in electricity consumption and thus decrease in electricity revenue mainly due to closure of businesses during lockdown.

11. Decrease in revenue in the tourism and hospitality as certain sites were declared quarantine sites and therefore no bookings could be taken resulting in revenue forgone.

Expenditure

1. All service providers were paid on a weekly basis after submitting an invoice and this was to respond to President's call to pay suppliers immediately after the delivery of goods.
2. The reduced receipts as a result of decreased collection rate has had an impact in the Vat output which has resulted in less output VAT being paid over.
3. The COVID restrictions have also negatively affected repairs and maintenance expenditure.
4. Escalation of operational costs which is a result of the mitigating measures that have been put in place to manage the spread of COVID-19 in items such as personal protective equipment (PPE), decontamination and disinfection of municipal building and other public facilities.
5. Grants and subsidies paid: Disaster Management Fund – The disaster fund is an intervention made by BCMM in relation to the COVID 19.

Cash flow

1. Reduction in collection rate and inability to implement credit control initiatives had a negative effect on levies and services.
2. There was an increase in expenditure relating to Personal Protective Equipment.

Budget

It has been necessary to do adjustments on the 2019/2020 Operating Expenditure Budget to fund the additional COVID-19 related matters that were not originally planned for and to also assist impoverished households/ beneficiaries, namely:

1. Procurement of Personal Protective Equipment (PPE)
2. Plant Hire
3. Provision of grocery vouchers / food parcels to the needy households/ beneficiaries

Reallocations were made to the Operating budget in order to ensure that there is sufficient budget to implement the necessary precautionary measures for responding to the COVID-19 health and safety risks and to also assist struggling households during the lockdown period. The net effect of the adjustments made is Nil.

The City utilised also the additional R340 million that it received for USDG to deal with immediate COVID-19 measures that are mostly of capital nature; the main focus being the following:

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

57. COVID-19 Impact (continued)

1. De-densification of dense and overcrowded areas such as informal settlements, hostels, etc.
2. Acceleration of identifying decanting sites from land identified, owned and/ or acquired by the Metro.
3. Enhance implementation processes of projects currently underway with specific focus on informal settlements.

SCM

The full procurement process as outlined in BCMM SCM's Standard Operating Procedures, SCM Policy were followed. Due to the emergency nature of the COVID-19 related procurement and lockdown period, additional considerations were made to achieve quicker procurement whilst still adhering to the procurement pillars and legislative requirements.

The procurement of Personal Protective Equipment for COVID-19 related matters were centralised at the Logistics, Warehouse & Disposal department. These items were procured as stock items in order to mitigate risks of abuse and frequency of orders unaccounted for from time to time. The National Treasury Emergency and Bulk Procurement Circulars on Natural Disaster were followed where possible, however, in many instances the service providers that are in the National Treasury would not have stock and or have longer waiting period for delivery. Due to the challenges on non-availability of stock it was necessary to request a Deviation from the City Manager to procure from other service providers that have stock and shorter delivery periods. After Circulars were issued giving guidance on pricing, the prices on the circular were used as a benchmark to negotiate with the service providers.

Priority was given to Service Providers that have existing PPE contracts that are already procured by the City, where there were no contracts in place the deviation process was followed for either sourcing the items through annual contracts or informal procurement process or direct negotiations. All endeavours were made to make use of existing contracts. In the event there is no existing contract a deviation approved by the City Manager was sought for the use of annual contract or informal procurement process or direct negotiation to source the required goods or services. All the deviations that were approved by the City Manager were subsequently submitted to Council for noting and as per the Regulations gazetted all the expenditure incurred on PPE will be reported a month after the pronouncement of the end of Disaster by the President.

58. Unauthorised expenditure

Opening balance as previously reported	40 348 847	157 562 251	42 977 417	160 458 700
Opening balance as restated	40 348 847	157 562 251	42 977 417	160 458 700
Add: Expenditure identified - current	17 649 513	-	17 649 513	-
Expenditure authorised in terms of section 32 of the MFMA	(40 348 847)	(157 562 251)	(42 977 417)	(160 458 700)
Unauthorised expenditure for the year	-	40 348 847	-	42 977 417
Closing balance	17 649 513	40 348 847	17 649 513	42 977 417

The over expenditure incurred by municipal departments during the year is attributable to the following categories:

Non-cash	17 649 513	40 348 847	17 649 513	34 617 654
Cash	-	-	-	8 359 763
	17 649 513	40 348 847	17 649 513	42 977 417

Analysed as follows: non-cash

Employee related cost	-	25 502 603	-	19 771 410
Debt impairment	17 649 513	14 846 244	17 649 513	14 846 244
Total	17 649 513	40 348 847	17 649 513	34 617 654

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

58. Unauthorised expenditure (continued)

Analysed as follows: cash

Grants and subsidies paid	-	-	-	8 359 763
---------------------------	---	---	---	-----------

The unauthorised expenditure can be attributed to difficulty of achieving budget accuracy for each expenditure type due to varying operational requirements. The 2020 unauthorised expenditure comprises the following:

1) Debt Impairment of R17.65 million, this is a result of the increase in debtors primarily due to non-payment by customers within the financial year. The COVID-19 pandemic and increase in billing as a result of punitive tariffs due to the drought have exacerbated the situation.

The 2019 unauthorised expenditure comprises the following:

- 1) Employee Related Cost of R25.5 million, this is as a result of the bonus provisions as well as the long service allowance raised at year end.
- 2) Debt impairment of R14.85 million, this is a result of more debts written off than projected.

59. Fruitless and wasteful expenditure

Opening balance as previously reported	18 173 575	5 794 525	18 173 575	5 794 525
Opening balance as restated	18 173 575	5 794 525	18 173 575	5 794 525
Interest charged on overdue accounts due to late payment.	-	1 154 612	-	1 154 612
Penalties (SARS)	-	4 557 074	-	4 557 074
Interest (SARS)	-	6 667 364	-	6 667 364
Less: Amount recoverable	(2 484 895)	-	(2 484 895)	-
Closing balance	15 688 680	18 173 575	15 688 680	18 173 575

Late payment of invoices resulted in the Municipality incurring fruitless and wasteful expenditure of R0 (2019: R1 154 612)

BCMM has established a Municipal Public Accounts Committee (MPAC) which is constituted by Council to investigate all irregular, fruitless and wasteful expenditure. The MPAC recommends to Council the write off and future actions to be taken in accordance with the provisions in terms of Section 32 of the MFMA.

Cases under investigation

No cases under investigation.

Amount recoverable

An objection was lodged and an amount of R2 484 895 was recovered from SARS relating to interest and penalties for the 2018/19 financial year.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

60. Irregular expenditure

Opening balance as previously reported	2 881 067 042	2 644 154 250	2 867 713 994	2 644 154 250
Opening balance as restated	2 881 067 042	2 644 154 250	2 867 713 994	2 644 154 250
Add: Irregular Expenditure - current	229 001 616	232 199 268	211 120 982	223 559 744
Add: Irregular Expenditure - identified in the current year, relating to previous periods	-	4 713 524	-	-
Less: Amounts ratified/approved as irrecoverable by council and written off	(725 621 041)	-	(696 542 888)	-
Closing balance	2 384 447 617	2 881 067 042	2 382 292 088	2 867 713 994

Analysis of expenditure awaiting write-off per age classification

Current year	229 001 616	236 912 792	211 120 982	223 559 744
Prior years	2 881 067 042	2 644 154 250	2 867 713 994	2 644 154 250
Less: Amounts ratified/approved as irrecoverable by council and written off	(725 621 041)	-	(696 542 888)	-
	2 384 447 617	2 881 067 042	2 382 292 088	2 867 713 994

Details of irregular expenditure

Procurement made outside SCM regulations	16 228 015	31 195 660	16 228 015	31 195 660
Bid Construction Contracts (BCC)	90 653 511	102 011 932	90 653 511	102 011 932
Annual contracts	73 707 741	56 904 066	73 707 741	56 904 066
Formal contracts	9 116 454	26 108 007	9 116 454	26 108 007
Informal contracts	1 102 130	2 137 947	1 102 130	2 137 947
3 Quotation System	523 449	769 533	523 449	769 533
Suppliers in service of state - Not-declared state employees	13 758 110	722 140	13 758 110	722 140
Other expired leases	6 031 572	3 710 459	6 031 572	3 710 459
Bid Adjudication Committee - BCM DA	17 880 634	13 353 048	-	-
	229 001 616	236 912 792	211 120 982	223 559 744

61. In-kind donations and assistance

FELZOO donated assistance to BCMM	6 127	26 516	6 127	26 516
FELA donated assistance to BCMM	3 600	4 100	3 600	4 100
Nahoon Point Nature Reserve	91 564	71 371	91 564	71 371
Nahoon Estuary Nature Reserve	-	426 795	-	426 795
	101 291	528 782	101 291	528 782

62. Additional disclosure in terms of Municipal Finance Management Act

62.1 Contributions to organised local government

Current year contribution	14 903 900	14 100 000	14 903 900	14 100 000
Amount paid - current year	(14 903 900)	(14 100 000)	(14 903 900)	(14 100 000)
	-	-	-	-

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

62. Additional disclosure in terms of Municipal Finance Management Act (continued)

62.2 Contributions to SA Cities Network

Current year contribution	3 732 713	3 783 552	3 732 713	3 783 552
Amount paid - current year	(3 732 713)	(3 783 552)	(3 732 713)	(3 783 552)
	-	-	-	-

62.3 Audit fees

Current year subscription / fee	16 770 993	15 740 807	16 055 514	15 108 534
Amount paid - current year	(16 770 993)	(15 740 807)	(16 055 514)	(15 108 534)
	-	-	-	-

62.4 PAYE, UIF and Skills Development Levy

Opening balance	-	271 705	-	-
Current year contribution	368 566 174	336 070 479	363 367 983	331 610 349
Amount paid - current year	(368 035 517)	(336 070 479)	(363 367 983)	(331 610 349)
Amount paid - previous years	-	(271 705)	-	-
	530 657	-	-	-

62.5 Pension and Medical Aid Deductions

Opening balance	101 909	97 509	-	-
Current year contribution	563 721 821	485 750 078	562 130 555	484 418 258
Amount paid - current year	(563 701 584)	(485 648 169)	(562 130 555)	(484 418 258)
Amount paid - previous years	-	(97 509)	-	-
	122 146	101 909	-	-

62.6 VAT

VAT receivable	103 030 375	171 832 937	102 532 309	171 526 611
----------------	-------------	-------------	-------------	-------------

VAT output payables and VAT input receivables are shown in note 13 as net VAT receivable.

All VAT returns have been submitted by the due date throughout the year. Vat is only declared to SARS on receipt of payment from consumers and claimed on payment to suppliers.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

62. Additional disclosure in terms of Municipal Finance Management Act (continued)

62.7 Councillors' and officials arrear consumer accounts

Arrear Councillors accounts totalling R8 546 were outstanding for more than 90 days at 30 June 2020 (2019 R36 074) for which mechanisms are in place to deduct amounts from the monthly allowances of each Councillor. The following amounts represent the total outstanding as at 30 June 2020 Stop orders are in place, whereby a monthly amount is deducted until the balance is settled.

30 June 2020	Outstanding more than 90 days R	Total R
Councillor A. Mayoyo	903	903
Councillor Z. Mtyingizane	5 133	5 133
Councillor L.M. Quse	1 472	1 472
Councillor K. Ciliza	1 038	1 038
	8 546	8 546
30 June 2019	Outstanding more than 90 days R	Total R
Councillor Z. Mtyingizane	16 194	16 194
Councillor I.T. Tongo-Luzipho	9 264	9 264
Councillor P. Nazo-Makatala	5 623	5 623
Councillor K. Ciliza	2 688	2 688
Councillor T.T. Apleni	1 194	1 194
Councillor M.T. Kolela	616	616
Councillor N.P. Peter	414	414
Councillor N.P. Matiwane	81	81
	36 074	36 074

At year end, officials accounts totalling R1 603 902 (2019: R2 370 968) were outstanding for more than 90 days.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

62. Additional disclosure in terms of Municipal Finance Management Act (continued)

62.8 Deviation from supply chain management regulations

Regulation 36 of the MFMA on Supply Chain Management (SCM) Regulations and clause 36 of the SCM Policy of 2012 states that a SCM Policy must provide for the procurement of goods and services by way of a competitive bidding process.

Regulation 36 states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the Council and includes a note to the unaudited consolidated annual financial statements.

During the financial year under review goods/services totaling R142 300 815 (2019: R79 425 717) were procured and the process followed in procuring those goods/services deviated from the provisions of the regulations as stated above. The accounting officer approved the deviations from the normal SCM regulations.

Incident	Number of incidents	Economic entity - 2020	Number of incidents	Controlling entity - 2020
Emergency	12	55 070 484	12	55 070 484
Sole supplier	8	56 012 632	8	56 012 632
Other exceptional cases	6	31 217 699	6	31 217 699
Deviations - BCMDA	1	3 756	-	-
	27	142 304 571	26	142 300 815

62.9 Electricity losses

	2020 Amount (R)	%	2019 Amount (R)	%
Technical	88 459 146	5.8	80 916 897	5.8
Non-technical	206 633 000	13.55	221 156 808	15.85
	295 092 146	19.35	302 073 705	21.65

Total losses amounted to 275 980 843 kWh (2019: 322 739 881 kWh) of which 82 730 191 kWh (2019: 86 452 447 kWh) are technical losses and 193 250 652 kWh (2019: 236 287 434 kWh) are non-technical losses.

Technical Losses: Losses within the network which are inherent in any network.

Non-technical losses: Theft, faults and billing errors.

The main contributor to the non-technical losses is the illegal connections in informal areas. These informal areas are growing due to the influx of people into the city. The invasion of land is being dealt with through legal avenues, but this has not stopped the mushrooming illegal settlements. The Electricity and Energy's Revenue Protection Unit remove illegal connections on a daily basis. The long-term plan to reduce the losses from illegal connections is the electrification of informal dwellings. The Council is in the process of considering a policy on site and services wherein the informal dwellings will be relocated to areas suitable for services to be provided.

62.10 Water Losses

	2020 Amount (R)	%	2019 Amount (R)	%
Technical	69 286 408	19.94	91 327 066	26.61
Non-technical	56 858 159	16.37	66 889 926	19.50
	126 144 567	36.31	158 216 992	46.11

Total losses amounted to 21 513 206 KL (2019: 29 566 498 KL) of which 11 816 385 KL (2019: 17 066 571 KL) are technical losses and 9 696 821 KL (2019: 12 499 927 KL) are non-technical losses.

The above losses include rural areas and informal settlements.

Water losses are being addressed through the implementation of water conservation and water demand measures which includes pipe replacement, water meter replacement, etc.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

63. Transitional provisions

Transitional provision for Statutory Receivable

General information

The entity followed the transitional provision as per Directive 3 of the GRAP Reporting Framework.

All Statutory Receivables have been classified and measured under an accounting policy that is not consistent with the requirements of GRAP 108.

Some progress has been made towards full compliance with GRAP 108, but it is expected that full compliance will only be reached at the end of the transitional period. The entity intends to comply in full with GRAP 108 by ensuring that, inter alia, all necessary considerations, assessments, calculations and significant judgements are made timeously and effectively, in order to classify and measure Statutory Receivables in accordance with the requirements of the standard.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019 Restated*	2020	2019 Restated*

64. Accounting by principals and agents

The entity is a party to a principal-agent arrangement(s).

Details of the arrangement(s) are as follows:

Department of Transport

BCMM entered in an agreement with the Department of Transport to collect licence and permit fees and in return BCMM pays these over to the Department of Transport with a 19% retention for BCMM.

The amount retained by BCMM ensures increased revenue collection and is redirected to service delivery.

There are private companies other than BCMM that also offer roadworthy testing of vehicles.

Vehicle licences can be renewed at the Post Office, Provincial Department of Transport and certain Banks offer the same services.

The above mentioned contributes to lesser income being received by BCMM.

Department of Health Service

BCMM entered into an agreement with the Health Department for the rendering of Clinic Services in 2009. These services lapsed in 2013 and the services were handed back to the Department of Health.

This ensured that Clinic services are received on time throughout the Metro.

Currently the Department of Health has faulted on the payment of allocated monies to be paid to BCMM to run those particular services and BCMM has reported this to National Treasury for intervention. BCMM has spent its own funds to ensure the smooth running of the clinics without full payment for the services.

Department of Human Settlements

BCMM received a level one accreditation with the Human Settlements Department to erect RDP houses on behalf of the department and to claim back all monies spent.

This ensured that all indigent qualifying persons have housing and that the metro increases service delivery.

The spending of BCMM own funds and claiming these funds back from the department has resulted in a fiscal drain to the metro which has resulted in an amount of R383 million owing to BCMM.

Entity as an agent

Resources held on behalf of the principal(s), but recognised in the entity's own financial statements.

No resources are held on behalf of the principles.

Revenue recognised

The aggregate amount of revenue that the entity recognised as compensation for the transactions carried out on behalf of the principal is R11 711 132 (2019: R14 206 775). Refer to note 25.

Corresponding rights of reimbursement recognised as assets

Corresponding rights of reimbursement that have been recognised as assets are R333 754 455 (2019: R394 216 968) Refer to note 14, Accrued income.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019 Restated*	2020	2019 Restated*
65. Cash flows from operating activities				
Receipts : Sale of goods and services				
Total revenue as per Statement of Financial Performance	7 688 433 314	7 436 889 792	7 664 499 101	7 432 827 908
Less: Fair value adjustments	44 1 683 300	(7 543 274)	1 683 300	(7 543 274)
Less: Interest received	30 (153 537 591)	(162 800 445)	(153 017 971)	(162 361 281)
Less: Interest received (non-exchange)	28 (39 698 901)	(26 119 274)	(39 698 901)	(26 119 274)
Less: Government grants and subsidies received	33 (2 011 229 172)	(1 919 432 296)	(1 989 656 320)	(1 916 450 674)
Loss on sale of assets	4 6 906 562	39 357 059	6 955 468	39 359 422
Movement in receivables from exchange transactions	14 (768 986 046)	(608 308 672)	(768 986 046)	(608 308 672)
Movement in receivables from non-exchange transactions	12 (103 111 837)	(176 382 119)	(103 111 818)	(176 382 119)
Movement in receivables from exchange transactions - BCMDA	11 286 345	(245 272)	-	-
Fair value adjustment on Investment Property revalued	44 (1 683 300)	7 543 274	(1 683 300)	7 543 274
Movement in VAT receivables	13 68 802 562	(61 687 127)	68 994 302	(61 587 237)
Net movement in consumer deposits	23 6 034 430	4 096 406	6 034 430	4 096 406
	4 693 899 666	4 525 368 052	4 692 012 245	4 525 074 479

Payment : Suppliers

Total expenditure as per the Statement of Financial Performance		(7 777 017 204)	(6 886 849 588)	(7 762 505 396)	(6 885 354 346)
Employee costs and Councillors remuneration	35&36	2 270 962 328	2 152 202 316	2 244 983 056	2 133 707 313
Interest paid	38	32 563 877	38 467 001	32 563 877	38 466 994
Depreciation and amortisation	37	1 709 671 614	1 316 048 225	1 708 735 735	1 314 861 224
Loss on disposal of assets	4	(6 906 562)	(39 357 059)	(6 955 468)	(39 359 422)
Debt impairment	39	601 841 517	406 978 233	601 841 517	406 978 233
Net movement on unspent conditional grants	17	320 896 287	(34 742 076)	319 956 454	(37 686 761)
Movement in Post retirement medical aid benefit obligation	9	(43 998 087)	(4 339 544)	(43 998 087)	(4 339 544)
Movement in provisions relating to landfill sites	19	132 089 408	5 200 239	130 847 955	5 020 089
Movement in payables from exchange transactions	22	94 645 494	21 631 008	93 534 417	22 802 366
Movement in inventory	10	1 606 409	8 350 830	1 631 697	8 353 193
Movements in operating lease liability	8	51 545	-	-	-
Other non cash item	5	-	(908 563)	-	(908 563)
PPE (Transfers / Adjustments)	4	-	(279 839 617)	-	(279 839 617)
Inventories losses/write-downs		(1 129 206)	(847 799)	(1 129 206)	(847 799)
		(2 664 722 580)	(3 298 006 394)	(2 680 493 449)	(3 318 146 640)

66. Deficit for the year

Reconciliation of actual operating results to net income

Net income /(deficit) for the period	7 051 869	547 221 322	(2 367 911)	545 272 905
Share of surplus of associate accounted for under the equity method	(105 406 358)	(29 467 290)	(105 406 358)	(29 467 290)
Capital expenditure ex grant funding	(1 010 413 224)	(997 754 177)	(1 010 413 224)	(997 754 177)
Actual operating results	(1 108 767 713)	(480 000 145)	(1 118 187 493)	(481 948 562)

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

Figures in Rand	Economic entity		Controlling entity	
	2020	2019 Restated*	2020	2019 Restated*

67. Retirement benefit information

The employees of the Council as well as the Council as employer, contribute to Municipal Pension, Retirement and various Provident Funds as listed below:

- Cape Joint Pension Fund / L A Retirement Fund
- Consolidated Retirement Fund
- Eastern Cape Local Authorities Provident Fund
- Government Employees Pension Fund
- Municipal Worker's Retirement Fund
- SALA Pension Fund
- Municipal Employees Pension Fund
- Municipal Councillors Pension Fund
- National Fund for Municipal Workers
- Aftredevoorsieningsfonds vir Kaapse Plaaslike Owerhede
- East London Municipal A Band Provident Fund

The Cape Joint Pension Fund's / LA Retirement Fund's last actuarial valuation was at 30 June 2019 conducted by S. Neethling from Momentum Consultants and Actuaries. The fund was 100.3% funded at valuation date.

The Consolidated Retirement Fund's last actuarial valuation was at 30 June 2019 conducted by S. Neethling from Momentum Consultants and Actuaries who certified that the fund was in a sound financial position.

The Eastern Cape Local Authorities Provident Fund's last valuation was at 30 June 2019 conducted by E. Du Toit from Alexander Forbes Financial Services, who confirmed that the fund was in a sound financial position. The funding level was at 100.05% at valuation date.

The Government Employees Pension Fund's last valuation was at 31 March 2018 conducted by H. Buck. The funding level at this date was 108.3%.

Municipal Worker's Retirement Fund (previously known as SAMWU National Provident Fund) last actuarial valuation was at 30 June 2017 conducted by E.J. Potgieter and G. Base from Towers Watson (Pty) Ltd. The report stated that the fund was in a sound financial position as at 30 June 2017.

The SALA Pension Fund's last valuation was at 01 July 2015 conducted by J.F. Rosslee of ARGENT Actuarial Solutions. The fund was 100% funded as at valuation date. The valuator was satisfied with the investment strategy of the fund and the nature of the assets is in his opinion, suitable for the nature of the liabilities of the fund as defined in the rules of the fund.

The Municipal Employees Pension Fund's last interim valuation was at 28 February 2014 prepared by Itakane Consultants and Actuaries (Pty) Ltd. The report stated that the fund was financially sound and the funding level at this date was 100%

The Municipal Councillors Pension Fund's last valuation was at 30 June 2018 prepared by Mothapo R. and Barnard G.M. from Moruba Consultants and Actuaries. The report stated that the funding level was at 103% at the time of valuation.

The National Fund for Municipality Worker's last Actuarial Valuation was at 30 June 2015 and prepared by G. Grobler from Alexander Forbes Financial Services. The assets of the fund are sufficient to cover 100.42% of members' liabilities.

The East London Municipal A Band and the Aftredevoorsieningsfonds vir Kaapse Plaaslike Owerhede are a fixed/defined contributions funds. It is therefore not necessary to perform an actuarial valuation for these funds.

It is Council's policy to fund 60% of Pensioner's medical aid expenses. The current costs amount to approximately R 23,1 million.

An amount of R381,9 million (2019: R324,8 million) was contributed by Council, Councillors' and employees' in respect of Councillor and employee retirement funding. These contributions have been expensed.

BUFFALO CITY METROPOLITAN MUNICIPALITY

Unaudited Consolidated Annual Financial Statements for the year ended 30 June 2020

Notes to the Unaudited Consolidated Annual Financial Statements

	Economic entity		Controlling entity	
Figures in Rand	2020	2019 Restated*	2020	2019 Restated*

68. Bids awarded to family of employees in service of the State

In terms of section 45 of the Municipal SCM regulation, any award above R 2 000 to family of an employee in the service of the State must be disclosed in the annual financial statements. The following is a list as recorded in the declaration-of-interest form:

Connected person	Position held in BCMM	2020	2019
T. Nyati	PA to SCM GM	117 000	-
S. Majembe	Buyer	163 590	82 472
Z. Ndzondo	Bid Secretariat	779 507	1 067 653
C. Ruiters	Tender Co-ordinator	-	190 599
S. Xoki	Chief Risk Officer	30 655	-
A. Kretzmann	Financial Manager	207 432	-
F. Pepper	Meter Reader	81 097	-
C. Prince	Administration Assistant	202 910	-
L. Fourie		120 000	-
S. Mnxunyelwa	GM Corporate Services	275 343	-
		1 977 534	1 340 724

Connected person	Name of institution	2020	2019
F. Ngcwangu	EC Provincial Planning & Treasury	665 845	1 534 826